HELSINKI SCHOOL OF ECONOMICS (HSE)
Department of Marketing and Management

THE MODERATING EFFECT OF BUSINESS STRATEGY ON THE MARKET ORIENTATION IMPLEMENTATION—PERFORMANCE RELATIONSHIP

Marketing
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TIIVISTELMÄ

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LIIKETOIMINTASTRATEGIAN MODEROIVA VAIKUTUS MARKKINAORIENTAATION IMPLEMENTOINNIN JA TULOKSEN SUHTEESEEN

Tutkielman tavoitteet
Markkinaorientaatio on pohjimmiltaan yrityksen ajatusmalli, joka valjastaa yrityksen luomaan asiakkailleen arvoa. Sen implementointi voidaan käsittää markkinoinnin "5:n P:n" mallin avulla (tuote, jakelutie, markkinointiviestintä, hinta, asiakkaat).

Markkinaorientaation vaikutusta tulokseen on tutkittu pitkään ja laajalti, mutta alue, josta puuttuu laaja teoreettinen pohja, on strategian mahdollinen vaikutus tähän suhteeseen. Myös markkinaorientaation implementaatio on jäänyt vähemmälle huomiolle. Nämä voisivat paremmin selittää markkinaorientaation ja tuloksen suhdetta.

Tutkimuksen tavoitteena on luoda ymmärrystä erilaisten liiketoimintastrategioiden moderoivasta vaikutuksesta markkinaorientaation implementoinnin ja tuloksen suhteeseen. Tutkielman teoreettisessa osassa esitellään eri tekijöitä – markkinaorientaatio ja sen implementointi, tulos ja tuloksellisuus sekä strategia – ja niiden välisiä suhteita käsittelevä aiempi tutkimus. Siitä luodaan viitekehys, jota testataan empiirisesti tutkielman empirisessa osassa.

Tutkimusmenetelmä
Viitekehystä testataan käyttämällä erilaisia tilastollisia menetelmiä. Aineistona toimii suomalainen data, joka on saatu aiempaan tutkimukseen kerätystä laajasta kansainvälisestä aineistosta. Faktorianalyysin avulla isoista kysymyspattereista on löydetty summamuuttujiksi muokatut muuttujat, jotka vastaavat tutkielman aiheina olevia käsitteitä. Korrelaatio- ja regressioanalyysien avulla testattiin, millaisia tutkimuksen ehdottamia suhteita aineistosta on löydettävissä.

Löydökset
Tutkielman löydökset eivät tue markkinaorientaation ja tuloksen välistä suhdetta, eikä markkinaorienttaation implementoinnin ja tuloksen välistä suhdetta tai strategian vaikutusta siihen. Löydökset viiittaavat siihen, että aiempaa tutkimuksissa löytynyttä suhdetta tulee yhä tutkia, ainakin Suomessa, vaan tulisi luoda viitekehys, jonka avulla markkinaorientaation suhde tulokseen voidaan mallintaa.

Avainsanat

Markkinaorientaatio, tulos, liiketoimintastrategia, markkinaorientaation implementointi, markkinointimix.

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ABSTRACT

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THE MODERATING EFFECT OF BUSINESS STRATEGY ON THE MARKET ORIENTATION IMPLEMENTATION—PERFORMANCE RELATIONSHIP

Research Objectives
Market orientation is basically a business philosophy of a firm to guide it towards customer value creation. Its implementation can be looked at through the 5P's model of marketing mix (product, place, price, promotion, people/customers).

The market orientation—performance relationship has been studied widely, but the subject lacking in extensive body of literature is the possible moderating effects of business strategy. Also the implementation of market orientation has received less attention. Market orientation implementation and the effect of strategy may provide us with a clearer answer to the market orientation—performance relationship.

The goal of this study is to generate insights into the possible moderating effects of different business strategies on the orientation implementation—performance relationship. In the theoretical section of the study, the different constructs – market orientation, its implementation, business performance, and strategy – and the relationships between them are explored to create a framework of the market orientation implementation—performance relationship suggested by prior research. This framework is then tested empirically in the empirical section of the study.

Research Method
The framework is tested using several statistical methods on a quantitative data from Finland, which was taken from a multinational data collected for a different study. Factor analysis was conducted on certain question arrays to help create summated scales of variables for the constructs studied. Correlation analysis and regression analysis were conducted to find out whether or not – and how strongly – the relationships suggested by prior research exist.

Findings
The findings of this study provide no support to the market orientation—performance relationship, or to the market orientation implementation—performance relationship and strategy's effect on it. The finding suggest that the relationship found in earlier studies be tested again, at least in Finland, and a framework developed to find out the impact of market orientation on performance, and the ways it can do so.

Key Words
Market orientation, performance, business strategy, market orientation implementation, marketing mix

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1. INTRODUCTION

"A business's opportunities for success will be maximized when all organizational members recognize that they can contribute to creating buyer value and are motivated to do so. Market orientation is a culture that focuses their efforts and enables this to happen." - *Slater & Narver (1994b)*

For every firm, the objective, above all, is to stay in business, and do so in a profitable manner. As the cash flow to the firm is all due to its customers, the focus in recent years has relied more and more on the subject of customer value (c.f. Narver & Slater 1990; Slater & Narver 1994a, 1994b; Hooley, Greenley, Cadogan, & Fahy 2005). The studies on performance, and the ways it can be affected are one of the biggest issues in marketing literature. This study adds its part to the discussion.

1.1. MOTIVATION FOR STUDY

Market orientation is a widely studied subject on well-performing firms and their view on customers. Research on market orientation is the theoretical basis for the study, as it encompasses the cultural, philosophical, behavioral, and operational views on creating value for the customer. It can also be considered to be the basis for innovation, organizational learning, and improved employee response. Market orientation is considered one prerequisite for formulating effective responses and innovations to changed market situations (Varadarajan & Jayachandran 1999). One of the most important reasons for market orientation studies is that it has even been shown to directly affect firm performance (e.g. Kohli & Jaworski 1990,;Slater & Narver 1994a).

But, there are still studies who have not found a clear relationship between market orientation and performance. There are questions without a definite answer to them: Does market orientation enhance performance in all situations, in all firms? What are the explaining actions and behaviors that transform market orientation into performance? Can all firms have an equal chance at gaining performance by increasing their level of market orientation? Could a firm's business strategy moderate the relationship between market orientation and firm performance?

Studies on market orientation often lack also the implementation part: a connection explaining the actions, behaviors and processes in the market orientation—performance relationship. This study attempts to also find out whether an implementation perspective could bring clarity to the subject.

Business strategies have been studied in many ways. One of them is the concept of strategy types, specifically the Miles & Snow typology of strategic type of firms. This typology of firms has spawned a variety of further extensions and research on strategy types, their existence and effect on performance etc. Strategy types differentiate firms in the way they see competition, customers and offering, and as such, business strategy may moderate the way a firm's market orientation affects its performance.

1.2. RESEARCH DESIGN

As stated above, the market orientation—performance relationship has been studied widely, but the subject lacking in extensive body of literature is the possible moderating effects of business strategy, and the implementation of market orientation, and their possibly better explanation power on the subject. Market orientation implementation may provide us with a clearer answer to the market orientation—performance relationship. This study aims to find out, using a Finnish sample of firms, if the proposed relationships are true, and whether market orientation implementation is the link between the two constructs, and whether business strategy would moderate that link.

To achieve this goal, the study must answer the main research question:

> *What kind of effect does business strategy have on the market orientation implementation—performance relationship of a firm?*

The main research question is answered after testing empirically the theoretical framework, which is formed through finding the answers to four sub-questions:

- *What is market orientation, what are its antecedents in a firm?*
- *What are the implementations of market orientation?*
- *What are the performance implications of market orientation?*
- *What kind of effects does business strategy have on market orientation implementation?*

This study has a few restrictions. It is not in the scope of this study to fully analyze the ways in which market orientation can be implemented in firms, or the specific details associated with the challenges an organization faces when implementing any strategy. Market orientation implementation is considered only through behavioral responses to competitive action and customer needs.

For the empirical part, even though of the data analyzed only the Finnish sample is used in this study, the interest is not in county-specific issues. Thus, the factors specific to the Finnish economy, business culture, etc. are not examined in this study. Also no~~t~~ analyses are conducted to compare the international and Finnish samples.

1.3. DEFINITIONS

In this thesis, a *firm* is the synonym for an organization operating in for-profit markets. The firm may provide products or services, for consumers as well as for other firms (business-to-business).

Performance is defined broadly as the (positive) result of a firm's business – its turnover, financial profit, market share etc. The more precise meaning for overall result is, when needed, given in the text.

Market orientation is a concept with many definitions. A common denominator for a market-oriented firm is that it "has knowledge of its markets [...], is able to turn this knowledge into customer value and can adapt to changes in its markets" (Stoelhorst & Raaij, 2004).

In this study, market orientation is considered to be implemented through marketing mix decisions. *Marketing mix* is also referred to as the "4 P's" (product, place, price and promotion) introduced by Jerome E. McCarthy in 1960. (Stoelhorst & Raaij, 2004). Market orientation implementation is in this study examined through a concept adopted from Wong & Saunders (1993), who also refer to Hooley, Lynch, & Shepherd (1992), and is an extension to the four P's. The concept of the importance of relationships and a focus on customers (e.g. Gummesson 2004; Webster 1992) is added as the "fifth P" for people.

Business strategy is the creation of a unique and valuable position, involving a different set of activities (Porter 1996). A strategy is a long-term plan of action designed to achieve a particular goal. *Strategic choice* refers to the adaptive cycle by Miles & Snow (1978) where firm must make strategic choices on three different problems.

The concepts of market orientation and strategic choice are defined in more detail later in the study.

1.4. STRUCTURE OF THE STUDY

As for the structure, this study is divided into the theoretical and the empirical sections. The second chapter begins the theory-building and introduces the concept of market orientation and the antecedents to market orientation as discussed in past studies. In this chapter, market orientation implementation is discussed through the concept of marketing mix.

In the third chapter, the performance consequences of market orientation, as they have been found in prior studies, are examined. In this chapter, the various ways in which business strategy affects firm processes, etc., is also presented. In the end of the theoretical part, chapter 4 of the study, a conclusion on the base of theory is made, and a performance-explaining framework is constructed. Also the sub-questions posed to theory are answered. In this chapter, also hypotheses will be drawn.

In the empirical part, in chapter 5, the methodology is presented and hypotheses tested. Chapter 6 ends the study with conclusions, an answer to the research question and suggestions for further research. We begin with the theoretical part of the study, and the discussion on market orientation.

2. CONSTRUCTS OF MARKET ORIENTATION

Market orientation is a concept much studied in marketing research in the past decades, and it has many definitions. Its impact on business, performance, employees, organizational culture, etc. has been subject to great interest. There are many views on market orientation, on what it is, and how it is evident in the firm. These views on market orientation are considered first to form a comprehension on the subject.

2.1. VIEWS ON MARKET ORIENTATION

In the market orientation research, there are a few researchers, whose studies are most often referred to. Three different but related approaches include Narver and Slater (1990, Slater & Narver 1994a, 1994b), Kohli & Jaworski (1990, Jaworski & Kohli 1993) and Deshpandé, Farley & Webster (1993).

According to Narver and Slater (1990), market orientation consists of three things: *customer orientation*, *competitor orientation* and *interfunctional coordination*. Customer orientation and competitor orientation are a set of activities carried out in order to gather customer and competitor information, and spread it throughout the organization. Customer orientation requires the firm to understand the customers' needs, not only today, but also constantly over time. In the b-to-b markets, customer orientation means understanding the customer's entire value chain. This way, a market-oriented firm is able to begin understanding the needs and wants of the potential customers of the future. Competitor orientation of a firm is the understanding of the short- and long-term strengths and weaknesses, and capabilities and strategies of current and future competitors.

Interfunctional coordination is the interfunctional activities carried out to provide superior value to customers. Marketing is not the only function responsible for customer value creation: rather, it is a matter of finding and using the resources available in the firm regardless of their functional position. Isolated functions need to be tied together in order to achieve superior customer value. This is achieved through leadership and aligning the functions' incentives. Each function has to perceive its place in the "big picture": if awarded according to customer value creation, a function will work towards it. (Narver & Slater 1990) This definition of market orientation is demonstrated in figure i.

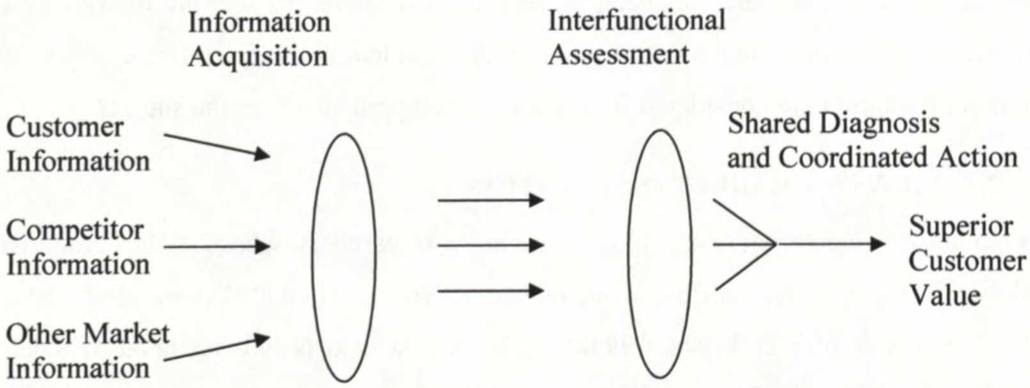

Figure i Market orientation (Slater & Narver 1994b)

In another definition of market orientation by Kohli & Jaworski (1990), market orientation of a firm is constructed by the *generation* and *dissemination* of, and *responsiveness* to *market intelligence*. Market intelligence includes market factors that influence customers (competition, technology, regulation etc), and the future needs of the customers in addition to the present needs. Market intelligence thus is a broad, strategic view of the concerns related to customers and the market place; more than mere information.

Market intelligence is generated everywhere in the organization, but most importantly it comes from market, customer, and competitor information gathered by the marketing department or the market research function. Market intelligence is disseminated through formal and informal channels throughout the organization, to all relevant functions and people. Responding to market intelligence is the timing, coordinating and planning of the resources and activities that need to be taken to answer to changed market needs. (Kohli & Jaworski 1990) Kohli & Jaworskis view is close to the view of Narver & Slater (1990). Both regard market orientation as consisting of information and intelligence, and the activities concerning gathering and disseminating it, and of the actions that are taken to react to it.

Deshpandé et al (1993) use the term "customer orientation" as a synonym to market orientation. Market orientation can be seen as a culture and set of beliefs and values, implementing the marketing concept: "customer is king". They define it as "the set of beliefs that puts the customer's interest first, while not excluding those of all stakeholders such as owners, managers and employees, in order to develop a long-term profitable enterprise". According to them, market-based information is nothing without a culture and set of common values that reinforces a customer focus. Narver & Slater also see market orientation as a business culture focusing on the creation of superior value to the customer.

Market orientation as a culture is a strategic perspective. "The notion of market orientation is related to the adoption of the marketing concept as a business philosophy. In this respect, market orientation can be defined as an organizational culture." (Slater & Narver 1994a). Top management commits and communicates market-oriented values and beliefs internally, and to allies and stakeholders. Market-oriented values reflect putting the customer first. Market information processing etc. are all behavioral consequences of these values of market orientation (Tuominen 2006). This strategic perspective on market orientation as a *business philosophy* is portraited in figure ii.

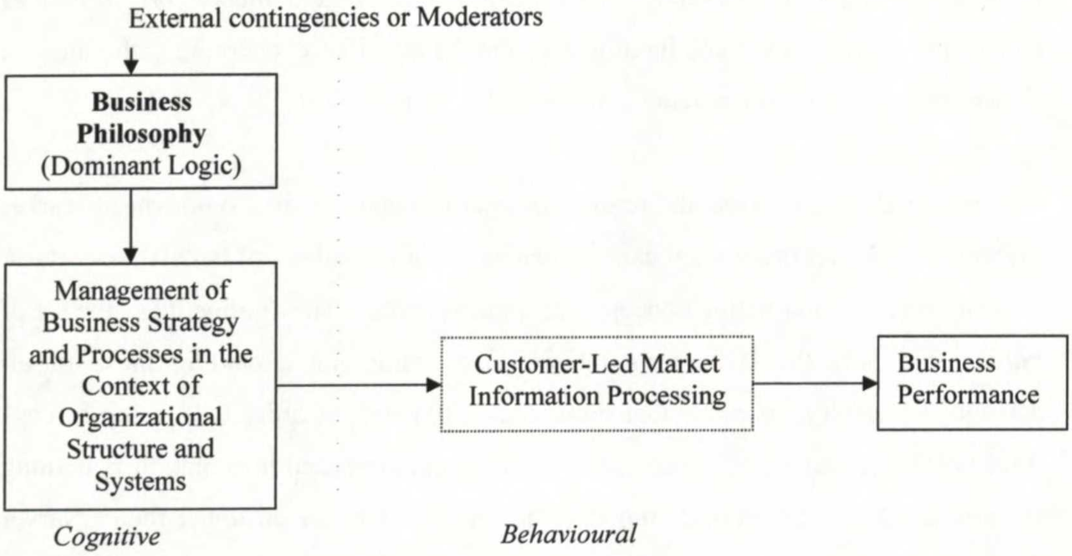

Figure ii Market orientation as a business philosophy (Tuominen 2006)

In figure ii, the external contingency, by which management chooses market orientation as a business philosophy, and begins to manage strategy and processes market-orientedly. On a cognitive level, top management believes that market orientation brings revenues and profit, i.e. enhances performance, as it holds the customer viewpoint close to internal firm decision-making. The behaviors that follow, are the above-discussed customer-led market information processing (the view of e.g. Jaworski & Kohli (1990)), which then leads to business performance. Market orientation as a cultural orientation of a firm aims all of the firm's activities and processes towards reaching the objective of achieving long-term advantage through customer satisfaction (González-Benito & González-Benito 2005). González-Benito & González-Benito (ibid) state: "organizations adopt first a cultural orientation and then develop consistent behaviours".

In other studies, however, operational market orientation is seen as an antecedent to cultural market orientation, as behavior is the basis for organizational culture. So, there may be firms that act and are market-oriented without having changed their culture and embraced market orientation beliefs and values. In certain firms, market orientation is actions and operational "doing" rather than a management philosophy;

i.e. a pragmatic approach to market orientation (González-Benito & González-Benito 2005).

In a conclusive study on research on market orientation by González-Benito & González-Benito (2005), the different studies on market orientation clearly showed a bias towards the operative meaning of market orientation, as 95% of the studies used market orientation scales with operative emphasis. Much of this bias is due to the widely accepted use of MARKOR and MKTOR scales developed by Jaworski & Kohli and Narver & Slater, respectively. According to González-Benito & González-Benito's study, in functional areas further away from the customer, such as production, finance, etc, the implementation of market orientation is weaker. The cultural change connected to cultural market orientation is often harder to comprehend to people less active in the customer surface. The cultural dimension of market orientation may not be a necessity for the operational market orientation in the production and operations functions (González-Benito & González-Benito 2005).

Market orientation, put simply, is a matter of serving customers and doing so in a constant and consistent manner. Customer value creation is the basic idea behind market orientation (Narver & Slater 1990). In addition to the important information/intelligence constructs of market orientation, it is Narver & Slater's thoughts of interfunctional coordination, and the cultural aspect of Deshpandé et al, which finally incorporate the customer focus to the market oriented firm, and explain most of market orientations correlation with performance.

Market orientation will in this study be seen as an integral construct of customer and competition orientation, coupled with inter-functional coordination; as a cultural force *and* related behaviors. The antecedents to market-oriented behaviors are considered next.

2.2. ANTECEDENTS TO MARKET ORIENTATION

Antecedents to high levels of market orientation include many issues, but the ones considered to have the greatest impact are top management emphasis, interdepartmental connectedness, and market-based reward systems (e.g. Kirca, Jayachandran & Bearden 2005; Kohli & Jaworski 1990). These antecedents offer a further understanding on the construct of market orientation, and also its effects on performance. Market orientation is not an either or question, but a continuum, in which other firms are more market oriented than others (e.g. Narver & Slater 1990; Kohli & Jaworski 1990). The level of market orientation may be explained through the antecedents and requirements examined next.

2.2.1. Top management

According to Kohli & Jaworski (1990), the most important antecedent for a market orientation is the senior managements will to foster a market orientation in the organization. Top management's commitment to market orientation and their risk propensity affect the level of market orientation in a firm through affecting market intelligence generation, particularly its dissemination and also the response to this intelligence (Jaworski & Kohli 1993).

Top managements continuous and communicated emphasis on tuning in to customer needs is crucial. The more managers give out the impression of true commitment to finding out market development, and acting upon those developments, the more it will affect market intelligence generation and dissemination, and responding to it accordingly. Top management commitment is inherently an important antecedent to market orientation. (Kirca et al 2005) Customer and competitor information is not, however, sufficient. Regarding product and environmental issues, too, means more exhaustive decision-making and better customer outcomes. The interpretative capabilities of a firm have to be invested in, as this complex environmental information also needs to be considered from multiple perspectives. This helps formulate strategies that produce superior customer-based performance. (Neill & Rose 2006)

Managers' positive attitude towards change is also a prerequisite for market orientation, because change may be critical for success. The willingness to commit to change and new ideas on the basis of market intelligence facilitates market orientation

(Kohli & Jaworski 1990). The pace of change is slow, almost always slower that many think. The task for the managers is to maintain change at a pace that is not to slow for the orientation to really change, but not too fast for resistance to change to rise too big. Senior managers' positive attitude towards new ideas and change facilitates market orientation. Their acceptance of the fact that change is a critical component to organizational success eases the way for the whole organization. (ibid.).

The gap between the say's and do's of senior management heightens the middle manager's ambiguity about what is actually wanted behavior, and thus weakens market orientation. The more consistently the senior manager acts according to his words, the more the middle manager knows what effort and resources he must put into market-oriented tasks. (Kohli & Jaworski 1990)

Also, managers' representations of the surrounding information are reflected in their decisions to respond to market changes (Day & Nedungadi 1994). This means that the managers' limited capacity to interpret information fully, may, to an extent, lead to them not being able to react to important changes. Best perspectives on information are achieved by a market-driven manager, who takes into consideration both customer and competitor information. Typically responses include strategies for competitive advantage with emphasis on both cost consideration and superior customer service. (ibid).

Responding to changes in the market may include risk: the more willingly managers take risks, the more likely the firm is to respond to altered customer needs (Jaworski & Kohli 1993). The risk aversion propensity of the senior manager lowers market orientation. The more the senior manager is willing to take risks and shows it openly, the more easily the junior employees dare propose their ideas and possibly innovative offerings in response to altered customer needs (Kohli & Jaworski 1990). Kohli & Jaworski (1990) also state that formally educated and upward mobile senior management are more willing to take risks and pursue innovative strategies, thereby increasing market orientation.

The tolerance for risk and ambiguity are in part determined by the managers' cognitive style, especially ones that are intuiting, thinking, extroverted and judging (White, Varadarajan & Dacin 2003). Intuiting and thinking cognitive style managers are more adaptive, and more eager to explore new experiences. They also tend to be more risk and ambiguity tolerant. Extroverted and judging cognitive styles make managers more adept at dealing with the outside world and more proactive in their decision-making, and thus respond hastier to market changes. To the generation and dissemination of market intelligence, managers' risk aversion has no effects, since they rarely are perceived as risky (Jaworski & Kohli 1993).

According to an extensive meta-analytical study on market orientation research by Krica et al (2005), interdepartmental connectedness has the strongest impact on the market orientation–performance relationship. "Customer satisfaction is dependent on the output of more than one worker, or one functional area" (Ellinger 2000).

2.2.2. Interdepartmental factors

Information about who are our customers, what do they need, and how can we deliver superior value to them, is crucial to sustaining competitive advantage. Marketing is responsible for knowing the answers to these questions, and hence responsible for gathering and even generating market intelligence (Kohli & Jaworski 1990). For this information to spread to the use of other functions in the firm in order to adapt to market needs, marketing has to communicate and disseminate the knowledge to relevant functions. Only by responding to the disseminated intelligence, can something be accomplished. Marketing is not the only department in the firm to respond to market trends; rather the responsiveness is organization-wide. (ibid.). Isolated functions need to be tied together in order to achieve superior customer value (Narver & Slater 1990)

Cross-functional dynamics is the behaviors and actions of individuals, or employees, managers, etc, of a firm in different functions and position inside the firm. Cross-functional dynamics can be examined i.e. through the following four constructs (taken from Kahn 2001):

1) Inter-functional coordination is a corporate culture of working over functional boundaries, sharing resources and willingly working together.
2) Inter-departmental integration is integration among departments of a firm, which consists of two types of ties:
   a. Inter-departmental interaction is communication and interaction through meetings, written documentation and increased information flows.
   b. Inter-departmental collaboration is enhancing teamwork, mutual respect and collective goals.

As marketing is shifting from a functional activity to "activities guiding cross-functional processes" (Jarratt & Fayed 2001), it is considered to be a driver for inter-functional integration. Marketing has to integrate activities that are the firm's core processes, i.e. understand the connections and consequences of different functions to those core processes, and finally generate corporate culture of inter-functional coordination. The perceived market orientation of local and direct management enhances employee market orientation. When the supervisor feels strongly about customers and facilitates market-oriented behaviors, the employees perceive high levels of internal market orientation. (Naudé, Desai & Murphy 2002). This is in line with top management commitment requirement for market orientation to enhance performance

Integration across functions leads to better results in new product development, supply chain management as well as customer relationship management. Marketing managers need to develop marketing's role in the firm and the inputs marketing may give to different business processes. (Srivastava, Shervani & Fahey 1999). Cross-functional communication aids the marketing function to receive a clear understanding of the capabilities the firm possesses. Integration can be parted into two types of ties: interaction, and a deeper tie of collaboration.

Inter-departmental interaction is in effect mostly communication. Communication aids market orientation inside the firm, as open information flow lowers the barriers for criticism, and thus enhances the possibility for internal improvements in the organization and the tasks performed in it. Communication also needs to be accurate, for it prevents mistakes and builds trust among members of the organization. (Naudé et al. 2003) Market orientation is inherently a learning orientation, as the processes of gathering, processing, disseminating and responding to market information is incorporated in the concept (Slater & Narver 1995). Still, a market oriented firm must beware of hearing only the expressed needs of the customer, and so stalling to only adaptive learning. Only by tuning into all kinds of information sources, and questioning the old ways-of-doing-things, can the organization learn generatively – and perform well. (ibid.)

Inter-departmental collaboration builds esprit de corps and sound relationships within the firm. Thus market orientation and an appreciation of marketing's activities may be realized more easily in the firm. Inter-departmental collaboration has a strong relationship with the business performance of a firm, as well as with department performance, and product development and product management performance. Marketing managers' focus should thus be on maintaining warm relations and collaboration with other departments, as this will also ensure successful strategy implementation and affirm a market orientation. (Kahn & Mentzer 1998).

Basic values are more prone to support market orientation than others. A shared value of open communication is a value which can be considered almost a necessity to market orientation, as it affects the market information behavior described by Jaworski & Kohli (1990). (Webster 1993; ref: Farrell 2005). Market-oriented values bring about job satisfaction, minimize role ambiguity and conflict by assisting employees to understand their roles, and facilitate commitment to the firm (Farrell 2005), thus they are supportive of market-oriented behaviors, if not directly related to them. Norms guide and drive behavior in a specific context, whereas values are more general guidelines. Norms are thus an important tool for managers to facilitate customer orientation in e.g. sales people by ensuring functioning, market-oriented norms throughout the organization. (ibid.) Artifacts communicate the often latent values, beliefs and norms of an organization. They include language, stories, arrangements and rituals in an organization (Homburg and Pflesser 2000; ref: Farrell

2005), and have strong symbolic meaning, and inspire the employees to behave in a certain way: market-oriented artifacts inspire market-oriented behavior (ibid).

Values and beliefs are important to organization-wide market orientation to grow. Organizational systems and characteristics also greatly influence the success of enhancing the level of market orientation in the firm.

2.2.3. Organizational systems and characteristics

Organizational systems include *market-based reward-systems* and *organizational structure* (Jaworski & Kohli 1993). Reward-systems are a way for managers to foster market orientation, by changing them from completely financial to at least partly market based (e.g. customer satisfaction, intelligence obtained). Market-based reward-systems help managers focus on long-term goals and on strategic thinking, and on concentrating on the customer. Reward-systems that are based on measures such as customer satisfaction and building customer relationships, facilitate a market orientation, both market intelligence generation, dissemination as well as responding to the intelligence better than pure financial measures as basis for rewarding employees (ibid.).

Organizational structure variables, centralization (limited distribution of decision-making authority) and formalization (definition of roles, procedures and authority through rules), have mixed relation to market orientation. For example, the degree of formalization is not as interesting as the nature of the rules and formal procedures, as rules created to enhance market orientation implementation actually further the market orientation–performance relationship. Centralization's tendency to diminish market orientation by impeding information flow, on the other hand, may be counteracted by market-based reward systems and interdepartmental connectedness (Kirca et al 2005). According to a study by Green, Inman, Brown & Willis (2005) who conducted a study with extensive literature review on organizational structure's effect on market orientation, there is no clear impact of structure on market orientation. However, internal processes – like the previously explored reward systems, interdepartmental factors and top management commitment – have more of an influence on the implementation of market orientation than organizational structure (Kirca et al 2005).

Antecedent organizational characteristics to market orientation can be divided into structural, strategic and systemic factors (Harris 2000). Structural factors are connectedness, centralization and formalization. Greater connectedness and lower centralization and formalization enhance market orientation. Strategic factors are service- and cost-focused strategy, which means that a strategy characterized by both low-cost and service differentiation will enhance developing market orientation. Systemic factors are internal communication systems, integration devices or systems and marketing function controlled co-ordination, which all increase market orientation. According to Harris (2000), these eight organizational factors can explain over 75 % of the level of a firm's market orientation.

Market information gathering and dissemination cannot occur if employees are not motivated and feel responsible for doing it. The people need to actively understand, be willing and able to perform in a market-oriented way. Even though organization-level consideration of cultural market orientation is important, it is the employees' actions and attitudes that support a market-oriented culture (Schlosser & Naughton 2007). Market-oriented values and norms that manifest themselves in a firm should be seen in the behavior of an individual employee (Farrell 2005).

When employees come in contact with customers relatively often, it enables the firm to pursue a market-oriented strategy. This is common for field sales, customer service etc., but it is a challenge for any firm to give also the "head office people" time to develop and maintain informal ties with customers. The perceived high-level psychological contract between an employee and employer affects market orientation, as relationship quality attracts market-oriented behaviors from the employee. These factors affect market orientation through information acquisition, information dissemination and strategic response, or the model of Jaworski & Kohli. (Schlosser & Naughton 2007).

The antecedents of market orientation are now examined, and the more interesting question of market orientation implementation is at hand.

2.3. IMPLEMENTING A MARKET ORIENTATION

Market orientation's effect on performance comes from various sources. Not only does it affect market performance directly through certain market-oriented behaviors and actions, it also influences managerial functions as a cultural force (Hooley et al. 2005). If market orientation is considered as implementation of the marketing concept (Kohli & Jaworski 1990), and as a strategy (Narver & Slater 1990; Deshpandé et al. 1993) a way to see its implementation is through concepts of strategy and its implementation, as depicted in figure iii.

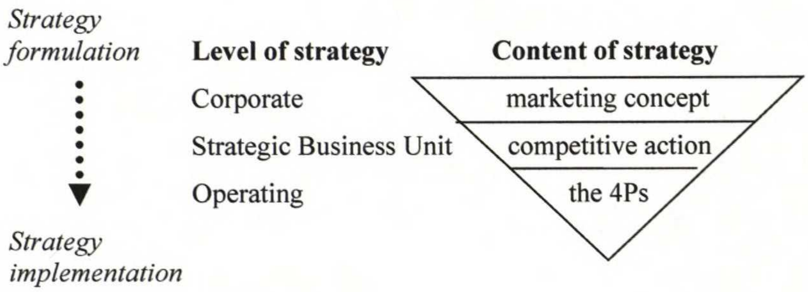

Figure iii Strategy and implementation – levels and content

At the corporate level, strategy is basically the verbalization of the *marketing concept*. The overall value proposition needs to be developed and articulated to the market place, and internally. Marketing is a strong advocate for the customer's point of view in the firm. Delivering superior value to the customer should guide the whole organization in all its activities. (Webster 1992).

At the SBU level, strategy is the answer to questions regarding *competitive action*: how to compete in the chosen businesses, how to organize activities and what activities to buy. A marketing strategy is formulated according to the corporate strategy, and on the cultural basis of implementing the marketing concept. (Webster 1992) Firms may not have a specific marketing strategy, but they include marketing activities (tactics) in their business strategies, integrating them with IT, HR, innovation and others to create customer value (Jarratt & Fayed 2001).

At the operating level, decisions are made concerning on products, their pricing, promotional activities and channels/distribution, *the 4Ps*. These actions are the implementation of the marketing strategy made at the SBU-level, and the responsibility of operating level managers, and of all the people in the firm. (Webster 1992).

All the levels of strategy base on the former: business strategy is guided by corporate strategy, and operating level strategy is about implementing business strategy. From corporate to the operating level, it is a question of moving from strategy formulation to strategy implementation. (Webster 1992) Effective implementation of a business strategy is considered to be an important factor in explaining performance differentials (e.g. Walker & Ruekert 1987; Olson, Slater & Hult 2005). The managers' task is to identify such a source of competitive advantage and exploit it to successfully and profitably implement their strategies. (Vorhies & Morgan 2003; Olson et al 2005)

Even though culture is important, according to González-Benito & González-Benito (2005), firms should concentrate on operational market orientation, as the correct activities and actions improve performance without much cultural conversion. Operational market orientation, i.e. behavior, can, in effect, be the basis for beliefs and values, and consequently, for organizational culture. The effect of cultural market orientation on performance is weaker than the effect of operational market orientation, and the role of it is often absorbed by the role of operational market orientation. So it is actions that transform market orientation into performance. A strong market oriented culture does not necessarily mean improved performance, at least in the operations and production functions. Here, it is market-oriented behavior and actions that lead to performance and the cultural conversion of production and operations management is not required. (González-Benito & González-Benito 2005).

For the first P, product, decisions range from research and development to packaging and service levels. The second P for price, the issue is simple: price can be set to cover costs or to a strategic level of market demand (cost-based or market-based pricing strategies). Place, the third P, has to deal with issues concerning supply chain: how to distribute products to customers or consumers. The options lie on a continuum between direct selling (nowadays often via the web) and the traditional chain with wholesalers and outlets. The fourth P stands for promotion, or all external marketing communications and advertising, brand building, PR, etc. The fifth P for people deals with decisions on customers, or key accounts, their management, relationships with suppliers and retailers, end-customers, etc.

It seems the implementation of market orientation in the processes and decision-making procedures of a firm could explain best the market orientation—performance relationship. The five P's of the marketing mix are briefly examined next before turning to the performance implications of market orientation found in prior studies.

2.3.1. Product – 1st P

Product decisions include not only the types of products or services to be served to customers, but also the products package, composition, brand name, functionality, support and service, warranties, etc. Perhaps the most distinct way of market orientation implementation is through better customer service, quality, and innovation, which in turn lead to competitive advantages: customer loyalty, new product success and market share (Slater & Narver 1994b). According to Hurley & Hult (1998), market orientation has a strong connection to a firm's innovative capacity. A capacity to innovate is an organization's ability to adopt or implement new ideas, processes or products successfully.

Innovation is a must in modern-day environment of fast-moving, turbulent economies. According to an often cited phrase, "because it is its purpose to create a customer, any business enterprise has two - and only these two - basic functions: marketing and innovation" (Drucker 1957, 54: ref Deshpandé et al 1993). Kotler (2004) states the marketers of today have been focusing too much on selling and advertising, and too little marketing's real work: creating products that do not need selling. Innovative solutions to customer needs yield undisputable advantage in the market place.

2.3.2. Price – 3rd P

Pricing, of course, is an important strategic decision in the marketing mix, as it represents, at the same time, cost to the customer and revenue for the firm. This means that issues concerning price are of high importance.

Pricing can be based on the goal of break-even, i.e. the managers' wish to cover the costs. It can also be based on demand analysis, or the level of customers' perceived value for the product, the overall importance of price on purchase decisions, the size of the market etc. (Morris & Calantone 1990) Accounting and finance departments often demands, as a basis for pricing, a thorough consideration of transfer costs, fixed costs, and break-even analysis. Market orientation may shift this thinking and offer a new look on the revenue-creation for the firm (Dailey & Kim 2001)

Market orientation as a way to create customer value is implemented mostly through market-based pricing strategy. High customer value and differentiation allow the manager to charge slightly higher prices, as the customers are less price-sensitive (Morris & Calantone 1990) Implementing a market orientation also implies a customer view, which then offers a chance to create different pricing strategies according to customers, and having a good understanding of costs to serve customers. (Ryals 2006) Pricing for a market-oriented firm is thus easier, and more probable to create more revenues.

2.3.3. Place – 2nd P

Place stands for distribution: warehousing, logistics, channel decisions, market coverage, etc. Supply chain management deals with the acquisition of production inputs and delivery of production outputs. It can be divided to sub-processes such as identifying and qualifying potential vendors, installing and maintaining process technologies, managing outbound logistics and customer service networks while at the same time managing costs, pricing and order processes (Srivastava et al 1999).

Customer value can be produced in many ways through distribution, or the other half of the supply chain closer to the customer. A culture of customer focus, and sharing customer intelligence and cooperation among departments, as is articulated by market orientation, encourages personnel to think proactively, about processes rather than job functions. A common, shared objective and the recognition for team efforts, leads to enhanced collaboration, which between marketing and logistics results in enhanced distribution service performance. (Ellinger 2000).

Long-term strategic alliances with supply chain members lead to reductions in cycle times, as allies coordinate between engineering, and purchasing before final designs. These alliances and customer involvement also help new product development, as time-to-market is reduced with their integration in the product development processes. Other objectives reached through integration are e.g. product availability, improved quality, decreased returns of products, reduced supply chain costs – all of which increase cash flows into the firm, finally through customer value creation. (Lambert & Cooper 2000).

2.3.4. Promotion – 4th P

Promotion is marketing communications: media advertising, sales promotions, public relations, personal selling, etc. Often the view of a person of marketing is restricted to this – also inside firms, the role of the marketing department is viewed as responsible for advertising and promotions (Hooley et al. 1992). Even though it is not the only part of the marketing mix, it is an important and very visible part of it.

Marketing communication needs to be dual-way: customer messages are heard in the firm and responded to. Also a clear context for communications is important, as it explains the status of competition and market, and directs the communication to the direction it is needed in, and also the content of it. (Reid, Luxton, & Mavondo 2005)

Implementing market orientation's interfunctional dynamics, namely collaboration and integration, enhances the success of integrated marketing communication programs (Reid et al 2005). Integrating marketing communication provides benefits through a unified view of the firm to the customer, as well as a reinforced message to the stakeholders of the firm: not just customers, but shareholders, competition and employees as well.

Promotion also includes brand communication and brand building. Brands increase long-term customer loyalty and "customer experiences" – brands act as a promise of value to the customer and should be delivered. Monitoring customer responses to actions build strong brands that create superior value. (Ind 2003) Cross-functional integration helps to communicate and "sell" the brand internally, which makes them stronger externally and thus more successful in the market place (Thomson & de Chernatony 1999).

2.3.5. People – the 5th P

Customer relationship management includes processes such as identifying and acquiring potential new customers, learning about the customers' needs and preferred product usage, developing advertising and promotion, enhancing trust and customer loyalty and acquiring information technology for customer contact. (Srivastava et al 1999).

Profitable key account management means to understand the real profit potential in customers, and more importantly, to let go of those, whose potential is less than their coming costs (Ryals 2006). Market-oriented firms follow closely to customers and markets, so they know where the potential lies, and where the competition is going. This way they also have a key position to be able to create superior value to those customers they already have a strong relationship with. Learning about the customer and truly finding best ways to satisfy their needs leads to information and knowledge that other processes can benefit from as well. Market orientation presents a shift towards integrating the firm's own supply chain with suppliers' and customers' chains, with end-customers' experienced value and benefits as the driver (Srivastava et al 1999).

In relation to reinvigorating CRM processes, Kotler describes the signs of poorly performing firms to be following (2004, 21):

- Most employees see that only marketing and sales are responsible for serving customers.
- There is no training for "customer culture".
- There are no incentives for customer caring.

For many companies, even the acknowledgment of these signs may already an implementation of market orientation. Kotler (2004, 120-121) introduces "market-driving skills", skills to invent needs to be fulfilled, by creating new value propositions or new business systems.

Market research is conducted to establish customer satisfaction, service quality, and demand for new products. It is also an execution of marketing that can be easily thought of as an implementation of market orientation, as market orientation implies an emphasis on market intelligence, and customer and competitor orientation. Market orientation, an organizational culture focused on delivering superior value to the customer, and on creating, disseminating and acting upon customer knowledge, is a key strategic resource for competitive advantage and firm performance. Failing to be customer-centered may lead to the disappearance of the firm (Webster 1992).

Implementing a market orientation, or any strategy, is a complex issue, and cannot be explained by mere actions and operations. It is a process in which strategy is not just on paper or even in the brain, but is infused in people's hearts. Market orientation is, after all, a matter of creating customer value (Deshpandé et al 1993; Slater & Narver 1995), and should, as such, be part of everyday actions. If it is not visible in the doings of every salesman, customer service person, or the back-office marketers and engineers, it is not implemented, and cannot be said to influence performance.

After having considered the simple behavioral and operational implementation issues of market orientation, we turn to the question of market orientation and performance: what are the discovered performance implications, and what could the effect of business strategy be.

3. MARKET ORIENTATION AND FIRM PERFORMANCE

Market orientation's effects on firm performance are interesting and have traditionally been of great interest in marketing research. The performance implications of market orientation that have been found are often divided into *business performance*, and *customer and employee responses* (e.g. Kohli & Jaworski 1990). In a wide meta-analytic review of market orientation research by Kirca et al (2005), market orientation was found to be tightly linked with various performance measures: overall business performance, sales and market share.

In some studies, however, market orientation has not been found to have an effect on performance; about 10 % of studies find no clear relationship (a study by Gonzalez-Benito & Gonzalez-Benito 2005; references are listed in Appendix I). This is taken into consideration in this study, but the body of evidence that suggests the link exists is quite substantive, and thus the relationship is expected. The most prominent research results are presented next.

3.1. MARKET ORIENTATION'S EFFECTS ON PERFORMANCE

Business performance is often easier to measure in terms of financial and market performance, in which it is divided in this chapter. As Kirca et al (2005), this study also divides between revenue-based performance measures (such as turnover, sales, market share) and cost-based performance measures (such as profit, profit margins). As revenue is generated first, the effect of market orientation on generating revenue is considered first.

3.1.1. Consequences on business performance – revenue-based performance measures

First and foremost, creating superior customer value generates sales. Sales equal turnover, which is a direct financial performance implication of market orientation. Market orientation's cash-generating customer responses are examined as follows.

Market orientation builds and maintains firm-internal capabilities to create superior customer value. (Slater & Narver 1995) Because of the cross-functional integration proposed by market orientation, these capabilities are unique to a firm, as people and their relationships and actions are not imitable. Therefore they consequence in value creation, as no other firm can perform exactly the same way. This in its turn, when combined with correct information on markets and customer needs, is considered to result in increased customer satisfaction and loyalty (Kohli & Jaworski 1990).

Customer satisfaction and loyalty suggest repeated business. The customer relationship management (CRM) systems firms implement and invest heavily in, can be seen as a system application of market orientation, as they are designed to help gain insights on customers, and to increase satisfaction. These systems, when implemented properly, result in customer acquisition and retention, bigger share-of-wallet and repeated purchase (McKim & Hughes 2001, Gummesson 2004).

As the firm grows to be more market-driven, sources for new ideas increase, as well as do the firm's motivation to respond to the environment. The incorporation of an innovative culture explains in its part the connection between market orientation and performance (Hurley & Hult 1998). Market orientation is in studies linked with innovativeness, which brings about creative solutions to customers' needs, and betters the possibility to gain competitive advantage, and so increase market share (Kirca et al 2005).

Innovativeness, creativity and open communication transform market orientation into actions that create superior value and revenue. Market orientation provides a culture in which consumer knowledge and insights flow freely, which in turn aids in formulating strategies to gain competitive advantage and superior performance (Varadarajan & Jayachandran, 1999). Innovativeness increases return on investment as product launches are successful and new products begin to sell well. This is also due to market orientation "forcing" the organization to act and think in the customers' best interest – creating a culture of the customer.

Managing product innovation reduces cash flow volatility, as marketing infuses product development management sub-processes with knowledge on changes in customers' needs, competitors' moves and potential technological breakthroughs. Sustainable competitive advantage can be achieved regardless of the turbulent innovation environment through defining and renewing value propositions and marketing strategies to guide product innovation. (Srivastava et al 1999). Market orientation's relation to new product success increases another commonly used measure, the return on assets (ROA) (Narver & Slater 1994a). Knowledge of markets enhances cash flows through supply chain management (SCM) processes, as the best selling products lead the way for determining and acquiring necessary inputs and processes, and choosing the most effective channel. Flexible manufacturing, innovative SCM subprocesses, and increasing switching costs for distributors reduce risks and cash volatility. (Srivastava et al 1999).

A role for marketing in the SCM process is first and foremost that of articulating the market orientation and navigating the firm's processes towards it. Reducing cycle times increases customer satisfaction, as they get the right products and they get them faster. Adding a "marketing discipline" to SCM, even the sub-processes not traditionally seen as customer connected (such as inbound and internal logistics) are considered to speed market penetration and product commercialization, and as such, add to customers' perceived value and increase cash flows. (Srivastava et al 1999).

Firm performance is commonly measured in shareholder value, the ultimate goal for many listed companies. Cash flow is translatable into shareholder value. As market orientation takes in more than just customer intelligence but also information on competition and environment in general (complete market intelligence), companies may e.g. find underutilized strength in their supplier relationships, or have first hand insights on the way the market will evolve. (Srivastava et al 1998) Through one construct of market orientation, cross-functional dynamics – namely inter-departmental collaboration – firms can provide superior service and resolve operational problems. This enhances firm performance, as distribution service is becoming even more critical for long-term success. Product availability, improved quality, decreased returns of products, reduced supply chain costs – all increase cash flows into the firm. (Lambert & Cooper 2000; Ellinger 2000).

Market orientation facilitates customer service, quality and innovation inside the organization. These lead to competitive advantages through customer loyalty, and new product success, which translate into market share (Slater & Narver 1994b). Sustained competitive advantage leads to business performance (profitability and sales growth). Generating, disseminating and responding to market intelligence helps a firm constantly study how its customers perceive it and its offering, and how to improve them to answer to the customers' needs (Castro et al (2005).

The found connections between market orientation and revenue-based performance measures seem to have an emphasis on innovation and customer focus. They also have been found to increase profitability (e.g. Kirca et al 2005) is considered as more of a bottom-line result, as it also focuses on the cost-side of operations. As costs in businesses always are under scrutiny, the effect of market orientation on the cost-based performance measures is considered next.

3.1.2. Consequences on business performance – cost-based performance measures

Market orientation implementation, as with any strategy, takes money and time. Firms wanting to implement market orientation need resources, which will generate costs. Still, market orientation will cover and even exceed the costs of implementation as it yields profit (Kirca et al 2005). The cost-based measures considered here, account for the costs of implementing a strategy, or market orientation. (Kirca et al 2005, 25).

Enhanced brand image, customer relationships, and efficient customer retention programs and promotional programs stem from strong market orientation. These influence profitability through profit margins (Baker & Sinkula 2005). The costs of product launches, customer service, etc. are covered by the profit generated through customer value creation: consumers get exactly what they desire, better than from the firm's competitors. Thus they are willing to pay a premium for products they feel they cannot purchase from anywhere else. Higher (perceived) quality and customer loyalty enable price premiums and brand extensions. Profit margins and lowered pressure on prices accelerate firm cash flows and lower their vulnerability. (Srivastava et al 1998; Slater & Narver 1994b; Kirca et al 2005)

Market-oriented actions on intelligence generation, on inter-functional collaboration and integration, and responsiveness make investments' pay-backs greater as they result in well-performing new products. A market oriented firm has intelligence on the market, and can quickly and efficiently take it into use – make better decisions and respond to changes. Namely, when customers needs or preferences shift, a market oriented firm finds out about it, tells relevant people about it and makes necessary changes to answer to those changed needs. (Kohli & Jaworski 1990) Responding to the environment accordingly enhances performance, as uniquely different products can be launched with higher profit margins, thus helping cover launch costs. (Srivastava et al 1998).

Profit margins are also enhanced by lowering costs. Market orientation lowers costs through creativity, cross-functional communication and profitable market responses (Kirca et al 2005). The improved processes inside the firm are the reason for lower costs. The improved market and operational performance also enhance long-term viability of the firm (González-Benito & González-Benito 2005).

New product success results in better return on the investments in product launches, in more successful advertising and promotion campaigns, and in increased customer satisfaction, as consumers get what they wanted. Information on customers, marketing departments′ capabilities, channels etc. may help to "bring to market" products that may not be desired because of the products brake-through qualities (e.g. in the pharmaceutical industry). Market orientations interfunctional relations helps e.g. marketing and R&D to set clear goals to the way the market will perceive the new product, thus improving its successful launch. (Becker & Lillemark 2006.).

Market orientation brings about faster market penetration. Intelligence generation and dissemination should help firms make accurate investments in product development. Accuracy helps realize the expected profit for new products, as the future needs of the customers are known in the firm already when starting product development projects. (Srivastava et al 1998) Maintaining and disseminating a clear and unbiased understanding of the customers' view on products and services helps to identify their latent needs (Slater & Narver 1995). Usually this also affects ROI, as resources can be allocated and exploited more efficiently due to intraorganizational integration.

Knowing what the customer wants, and being able to find the right people inside the firm to make it happen, can reduce time-to-market and costs. Market orientation's emphasis on intelligence also leads to dynamic pricing, better inventory forecasting and just-in-time commitment to resources. (Srivastava et al 1999). Innovation, accurate product development and fast bring-to-market are all responsible for converting market orientation into enhanced performance through successful product launches (Atuahene-Gima 1996, Gatignon & Xuereb 1997; ref: González-Benito & González-Benito 2005).

In product development specifically, market orientation means to move away from designing state-of-the-art technical novelties, but customer solutions that truly increase perceived value (Srivastava et al 1999). Market orientation helps articulate the view of the customer, and focuses the attention of innovation and development of new products according to the needs of the customer – maintains an external focus in the product development processes. Market orientation so improves product development and product management performance, and lowers costs through efficiency. (Kahn 2001). PDM process can enhance cash flows by creating solution platforms that ease future product design, customizing products and product adaptation by customers. This also reduces costs, which adds to performance by reducing cash required for complicated product design processes (Srivastava et al 1999).

In terms of the marketing mix, market orientation seems to affect performance through all five P's of the marketing mix presented earlier. For the most part the performance implications are found to be due to market orientation's

- innovativeness,
- market intelligence usage,
- cross-functionalities, and
- customer value creation.

Environmental factors have been found not to moderate the effect of market orientation on performance (Slater & Narver, 1994a). All firms benefit from a culture of market orientation even when their competitive environment does not seem hostile. Eventually, the market and competition may change rapidly, and cultural change happens much slower and at a financial and social cost. Becoming and remaining market oriented creates superior value constantly (ibid.). The external focus and commitment to innovation of a market-oriented firm appear to help it maintain a successful position under any environmental conditions.

Even though the evidence on the market orientation—performance relationship is quite vast, the studies referred to earlier, and listed in Appendix I, still pose a question of whether or not the issue is clear.

According to the pioneers and grand researchers of market orientation Narver & Slater (1990), it needs to be a founding part of a firm's competitive advantage strategy. They think market orientation is not merely a way to enhance performance, but more a necessity to even survive. This can be considered an interesting viewpoint to the performance-explaining framework, as market orientation is, as by Tuominen (1996; figure ii) a business philosophy merely guiding strategy to the path of better intelligence on the environment and better awareness of internal resources and the integration of those resources. Then again, this would mean that market orientation as such is not enough to explain performance differences among firms, but the implementation of those "values" would be of more importance.

Here the issues of business strategy's effect on the market orientation—performance relationship comes into play, as strategies to compete in the market differ, which then modifies the way managers make the marketing mix decisions, i.e. implement market orientation. And so we come to the final chapter of the theoretical discussion, and introduce business strategy, and the implications it may have on market orientation and its implementation, i.e. marketing mix.

3.2. STRATEGIC CHOICES ON MARKET SUCCESS – BUSINESS STRATEGY

Firms can be differentiated by the strategic choices they make in deciding how to compete in the market. One of the most used and studied concepts is the Miles & Snow typology of the firms, which shall be explored in this chapter. Miles & Snow wrote a book in 1978 called "Organizational Strategy, Structure and Process". The same year they published an article on the same matter together with other researchers (Miles, Snow, Meyer & Coleman 1978), to formulate a typology of, and study business strategies.

Miles & Snow (1978) presented that each firm faces three problems: entrepreneurial, engineering and administrative. These three problems form the *adaptive cycle*, as the firm adapts to changes in its environment. The cycle first starts with an answer to the entrepreneurial problem, as the firm is first founded. Then, the cycle continues with the second and third problem and the management's answers to them. But, they do not necessarily happen sequentially, rather than most often simultaneously. According to the Miles-Snow typology of strategic choice for relating to the market, businesses are classified as *prospectors*, *analyzers*, *defenders* or *reactors* on the basis by which they solve the problems.

Also Porter (1980) made his own typology of uniqueness or low-cost competency, and narrow or broad market scope. According to his differentiation theory there is three types of strategy: 1) overall cost leadership, 2) differentiation based on superior offering, and 3) focus, or market segmentation strategy on serving niches in the market. Market segmentation is narrow in scope while both cost leadership and differentiation are relatively broad in market scope.

In 1987, Walker & Ruekert made their own hybrid typology of the different typologies. In this chapter, the strategy type and typology are presented. Based on the two typologies, Walker & Ruekert (1987) divided defenders into *low-cost defenders* and *differentiator defenders*, and excluded analyzers from the group. Reactors are usually excluded as they represent the absence of a consistent strategy to compete in an industry (Miles et al 1978; Ruekert & Walker 1987; DeSarbo, Benedetto, Song & Sinha 2005).

In this study, business strategy is explored through the concept of the adaptive cycle of strategic choice by Miles & Snow.

3.2.1. Entrepreneurial choices

The entrepreneurial problem facing managers is the question of coming up with a concrete definition of the goods and/or services provided, and the markets to provide them in. (Miles et al 1978). To gaining competitive advantage and winning in the chosen markets, there are many different solutions to the problem.

Defenders define their entrepreneurial problem by trying to produce a product/service to achieve and maintain secure niches in the market. Low-cost defenders' product line is fairly narrow, and the products are essentially cheap and less technically advanced. The stress is mainly on price competition, as their solution to the engineering problem is the least sophisticated of the different strategy types. (Walker & Ruekert 1987; Miles & Snow 1978) Low-cost defenders maintain their market share in quite small market segments by focusing on lower costs and efficient financial management.

They monitor the competition closely and spend resources on that. (Olson et al 2005) Low-cost defenders are relatively inactive regarding marketing actions (Slater & Olson 2000).

For the differentiated defender, product lines are as narrow as with low-cost defenders, but the products are more sophisticated, prices and service quality high. Differentiated defenders have a narrow market segment they serve. (Walker & Ruekert 1987; Porter 1980). Internal/cost orientation is high among differentiated defenders. For these firms, high levels of customer orientation mean superior firm performance. (Olson et al 2005) This means that in order to be successful and follow a differentiator and defender strategy, the firm must keep a close eye on their customers, as they need to maintain an aggressive foothold on their chosen markets. And, at the same time, the firm has to control costs and internal processes in order to act profitably. (Olson et al 2005; Matsuno & Mentzer 2000). Both types of defender face fierce competition. (Walker & Ruekert 1987).

Prospectors' solution to the entrepreneurial problem is to keep finding opportunities in the market. Prospectors are see their environment as dynamic and full of opportunity. They follow an aggressive new product/market position and pioneer their way within the industry as the leaders for change. Prospectors perceive the market broadly and with uncertainty. A prospector launches new products often and constantly. (e.g. Miles &Snow 1978, Ruekert & Walker 1987, DeSarbo 2005).

Prospectors' are highly customer-oriented, as they need to constantly aware of their markets' shifts. (Olson et al 2005) The prospectors' strength lies in their "ability to identify and exploit new product and market opportunities" (Parnell & Wright 1993). They have a greater chance at hitting it big, but also at a greater risk (ibid.)

Analyzers are somewhat a middle ground between prospector and defender strategy types. As their answer to the entrepreneurial problem they try to minimize risk and at the same time maximize profits: "how to locate and exploit new product and market opportunities while simultaneously maintaining a firm core of traditional products and customers" (Miles et al 1978). Analyzers defend some positions and rapidly pursue a promising new product development at the same time. (DeSarbo et al 2005)

3.2.2. Engineering choices

The engineering problem prompts managers to answer questions on appropriate technology, systems, and communication and control linkages. (Miles et al 1978). The engineering problem mainly forces the firm to solve issues dealing with production, technology, etc. As with the other two problems, this has various solutions to it.

Defenders, both low-cost and differentiated defenders, solve the engineering problem by investing greatly on producing efficiently. (Miles & Snow 1978) Low-cost defenders have profitability objectives more often than anything else. They stress efficient operations and (Walker & Ruekert 1987) Due to their lack in innovation expenditure, and flexibility, low-cost defenders are thought of performing poorly (Olson et al 2005) According to Miles et al (1978), the defenders' ability to respond to changes is sufficient because of the investments in technology efficiency. A dramatic change in the market could still derail defender firms, as they do not find market opportunities well. Low-cost defenders that have competence in process engineering, production, distribution, and financial management and control, usually perform highest (Walker & Ruekert 1987).

Differentiated defenders pursue their market share more aggressively than the low-cost defenders and reach for efficiency by investing in technology (Matsuno & Mentze 2000; Miles Snow 1987). Efficient technology coupled with genuine customer knowledge is a profitable solution to the engineering problem for these firms.

Prospectors answer the engineering problem in an opposite manner to those of the defenders. A prospector firm does not want to be tied down to any one technology or technological process. (Miles & Snow 1978, 29). Because of this, prospectors need to invest heavily in technology. In case of changes in customer tastes or market/technology opportunities, for prospectors, the door must always be open. Because it can never be totally efficient, prospectors are never able to maximize their profitability (Miles et al 1978): it can underutilize its human and financial resources, and even gain loss because of the multiple technologies. Still, its weakness is at the same time its strength: the ability to answer to the needs of tomorrows markets, which is its mission, and also its entrepreneurial solution.

Finding balance between two somewhat contrary choices is what defines an analyzers strategic type. Technological stability *and* flexibility need to be maintained at equilibrium. (Miles et al 1978). This means that the analyzer is always investing by two standards as it competes in two markets: in one as a defender, and in the other as a prospector. (Walker & Ruekert 1987)

3.2.3. Administrative choices

The administrative problem involves rationalizing the organization: decreasing uncertainty raised by the former two problems, and formulating and implementing systems that will ease the future development of the firm. (Miles et al 1978). It can be said that the administrative solutions are intraorganizational issues.

Mnagers and personnel take on certain structures of organization and certain behaviors to best try to implement the company's business strategy (Olson et al. 2005). Alternative forms of organizational structure can be defined by the degree of formalization, centralization and specialization in the organization, as by e.g. Olson et al. (2005):

> Formalization *is the degree to which formal rules and procedures govern decisions and working relationships. [...]*
>
> Centralization *refers to whether decision authority is closely held by top managers or is delegated to middle- and lower-level manager. [...]*
>
> Specialization *refers to the degree to which tasks and activities are divided in the organization and the degree to which workers have control in conducting those tasks.*

An organization's structure's fit with a firm's chosen business strategy is a key driver of successful strategy implementation which leads to sustained competitive advantage (e.g. Vorhies & Morgan 2003; Walker & Ruekert 1987; Olson et al. 2005).

For defenders, the solution to the administrative problem is to aim for strict control over the organization to gain efficiency. The risk for the defenders is ineffectiveness: should their be a major change in the environment, the stable and heavily controlled, formalized and centralized organization may not respond to it rapidly enough. (Miles & Snow 1978)

In a corporation, low-cost defender business units have little autonomy, but high levels of synergy, as they try to keep functions working efficiently while gaining highest possible payback from resource-use. (Walker & Ruekert 1987). Decision-making is centralized to finance and production, as they have clear insights into the cost-side of operations. (Matsuno & Mentzer 2000; Walker & Ruekert 1987; Porter 1980).

Low-cost defenders are usually thought of as performing more poorly than the other strategy types also because they lack marketing-specialists. Well-performing low-cost defenders perform well due to their focus on cost control and financial efficiency. (Olson et al 2005; Matsuno & Menzer 2000; Walker & Ruekert 1987; Porter 1980). The highest performing low-cost defenders' organizational structure is moderately formal, but highly centralized. Majority of employees are generalists, i.e. specialization is low. (Slater & Olson 2000).

The structure of a top-performing differentiated defender is decentralized and informal. The number of specialists is also moderate. On structure, the differentiated defenders differ from the low-cost defenders by their bigger reliance on marketing specialists. (Olson et al 2005) Differentiated defenders, in all, require more competence in all functions in the organization, as they need to keep a close eye on the customer in order to quickly discover market shifts, and at the same time monitor and control their costs to ensure profit margins (Walker & Ruekert 1987). For the differentiated defender expenditures on sales force is high (Walker & Ruekert 1987).

Prospectors do not want to control its employees, rather than facilitate their innovative capabilities and coordinate its human resources to find a flexible and highly adaptive combination of people and technology, every time there is a new opportunity. (Miles & Snow 1978, 29). Prospectors have a loose structure and low division of labor, as they need to keep the organization ready for changes in the competitive environment. low formalization and centralization. (Parnell & Wright 1993) Decentralized decision making is possible largely because these firms employ a significantly higher proportion of professionals who have specialized knowledge than do any of the other strategic types. (Olson et al 2005)

High-performing analyzers have moderately informal and highly decentralized structures. As with differentiated defenders, the number of marketing specialists is reasonable. In analyst firms the tension between the need for exploration and exploitation (March 1991; ref Olson et al 2005), there is need for more formalization than in the prospector organizations. However, as they need to follow fast, the decision-making is delegated to the specialists. (Olson et al 2005) Analyzers' emphasize and attempt to capitalize on both stability and flexibility by exerting tight control on existing operations and loosening control on new ventures. This has been found very profitable in the long run (Parnell & Wright 1993).

The strategic choices made by firms regarding their offering, competitive stance, technology used and invested in, and the kind of organization created affects the way the firm operates. This way it also affects the way market orientation is implemented in the firm. The above-discussed subjects of market orientation implementation and business strategy are next brought together.

3.3. STRATEGIC CHOICE AND IMPLEMENTING MARKET ORIENTATION

Strategic choice is operationalized in the marketing mix, as strategic choices made in the adaptive cycle are transformed into actions that create customer value. The way in which market orientation implementation is affected by the business strategy is here concluded on basis of the prior research reflected in the theoretical part of the study.

A solution to the entrepreneurial problem requires a firm to decide on its offering, and chosen markets. It must, in effect, choose between various ways in which to compete in the market. The choice affects decisions on products and distribution. Decisions on customers are affected as the entrepreneurial problem requires the firm to choose the market it intends to serve. Promotion is affected for the same reason, because the message needs to be adapted to the market. Pricing is also a way to differentiate oneself in the market, and therefore is affected by the first strategic choice.

Solutions to the engineering, or technological problems requires a relatively simple decision on the complexness of used technology, and whether or not to invest heavily in it. Technology, again, affects all parts of the marketing mix. Product line decisions of course are affected by the technology that creates them. In terms of engineering problem, distribution faces different types of challenges on technologically advanced, maybe highly customized products, than it does on simple solutions that can be delivered via the traditional supply chain. Promotion is affected mainly through communications – how to train clients, when for example the technology used is brand new, or how to communicate about products that are simple and "old-fashioned" in terms of technology. Pricing needs to be accurate, as it is the only revenue-bringing aspect of the marketing mix, and needs to generate cash to cover the costs of technology investments, whether great or modest.

As with the other two problems, the administrative problem affects all parts of the marketing mix. All marketing mix decisions are made by the human resources available at the time, so the strategic choice of how to organize the firm, inherently affects the kind of marketing mix decisions employees make. For example, organizational centralization and strict control may hinder innovativeness in new product development, but at the same time it may enhance promotional return on investment through effective corporate communications, and strong brand image. Customer relationship management programs can be more easily implemented in a formalized organization, as the rules and procedures stress the importance gathering customer intelligence, but for example rules-of-thumb for cost-based pricing may be hard to break in highly formalized firm. Also the amount of specialized personnel is a matter of strategic choice, and the effective and efficient marketing mix decision making is affected by it.

These are, in short, the theoretical findings summarized. On basis of findings of prior research, the sub-questions set in the beginning can now be answered.

What is market orientation, what are its antecedents in a firm?
Market orientation is a construct containing intelligence behaviors, intraorganizational behaviors, cultural constructs and ultimately a business orientation focusing on creating customer value, and thus value to the firm.

What are the implementations of market orientation?
Implementation of market orientation can be looked at through the concept of marketing mix, or the decisions on the 4+1 P's of marketing: product, place, price, promotion and people.

What are the performance implications of market orientation?
The performance implications of market orientation can be divided into financial and other. The financial performance can be further divided into revenue-based and cost-based performance that both entail different measures, such as market share or turnover, and profit, respectively. The performance effects of market orientation are, in most studies, are found positive.

What kind of effects does business strategy have on market orientation implementation?
Business strategy, and decisions included in strategic choices affect market orientation implementation in various ways. Strategic choices made on firms' offering, chosen technology, and the way it is organized and operates affect the decisions of more operational nature: the marketing mix.

The answers to the questions lead us to the point of building a theoretical framework and hypotheses to be tested with statistical methods. These will be presented next.

4. THEORETICAL FRAMEWORK AND HYPOTHESES

The proposed connections of strategy type on the market orientation—performance relationship are examined in this chapter according to the theories behind them. This chapter ends the theoretical part of the study. A framework presented in figure iv was formed on the basis of answering the four research sub-questions in the previous chapter.

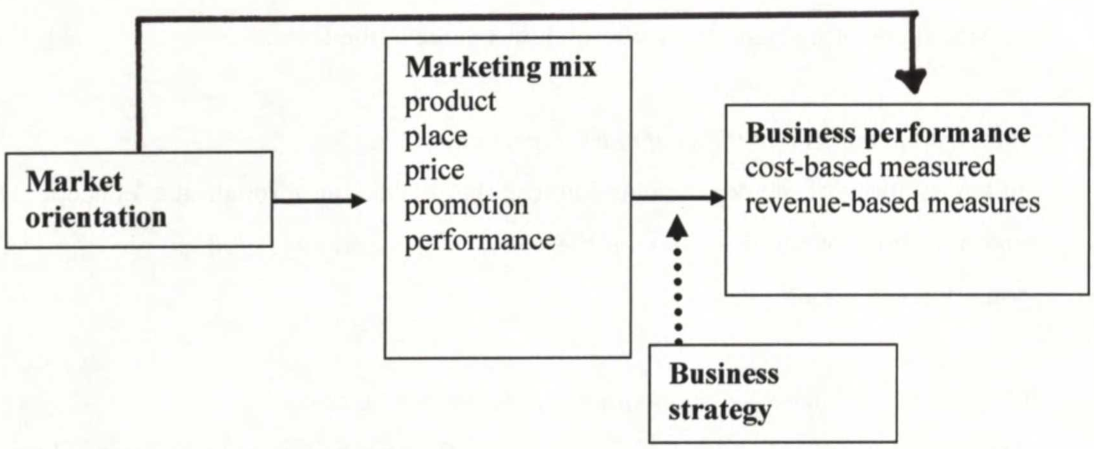

Figure iv Framework for the study.

The framework depicts the relationships proposed by prior study. Market orientation is expected to affect business performance through the five P's of marketing mix. It is also expected to have a positive effect on performance. Business strategy is expected to moderate the former relationship.

Market orientation is expected to have positive relationship with the different constructs marketing mix, as they make up the implementation of market orientation. So, hypothesis 1 is:

Hypothesis 1
Market orientation has a positive relationship with the constructs of the marketing mix.

Marketing mix is expected to have a positive relationship with performance, as the decisions for the different constructs all aim for performance. So, hypothesis 2 is:

Hypothesis 2
Constructs of the marketing mix have a positive relationship with performance.

Market orientation is expected to have an influence on performance, as suggested by the majority of prior study. So, hypothesis 3 is:

Hypothesis 3
Market orientation has a positive relationship with performance

Market orientation implementation's, i.e. the marketing mix's effect on performance is expected to differ when strategy is taken into the equation.

Hypothesis 4
The influence of marketing mix on performance is different when business strategy is accounted for.

Through these hypotheses the study attempts to answer the main research question: *What kind of effect does business strategy have on the market orientation implementation—performance relationship of a firm?* The hypotheses were tested through a series of methods, which are presented, together with the results, in the next chapter.

5. RESEARCH METHODOLOGY

The hypotheses were tested using various statistical analysis methods on Finnish results from a multi-national study's data set. This data and the variables chosen from it are examined first, after which the analyses and results are presented.

5.1. DATA COLLECTION AND MEASURES

The data was chosen for this study on the basis of it's a) availability, b) proven functionality on the international level, and c) its representation of Finnish firms' marketing managers and officers.

5.1.1. Data collection

The data was originally collected for a project called "Marketing in the 21st Century". Graham Hooley, professor of marketing and senior pro-vice chancellor of Aston University, and Gordon Greenley, professor of marketing and head of faculty in Aston Business School, were in the project lead. "The project was born out of mutually interest by a group of marketing scholars in the identification of marketing resources (in particular marketing capabilities and marketing assets) and their impact on marketing performance. Pilot studies in the UK and Austria then quickly escalated to fieldwork in over 15 countries round the world, enabling a unique snap-shot to be taken of marketing approaches and methods at the start of the 21st Century." (MC21 Website 2007) The data was collected by a mail-survey in Australia, Austria, China, Finland, Germany, Greece, Hong Kong, Hungary, Ireland, The Netherlands, New Zealand, Poland, Slovenia and The United Kingdom. It contains 6038 answers from the senior marketing managers in the firms. (See www.mc21.org for more information on the "Marketing in the 21st Century" project.)

In this study, the data from Finnish firms was used, totaling to 327 usable answers. This is a fairly representative amount of senior management respondents, and it can be said that the sample is adequate. The Finnish data was collected in years 2001 and 2002. The questionnaires varied slightly in content and they were translated to each country's language. The translations for the questions used in this study were taken from the UK version.

The questionnaire was designed for a wider purpose than that of this study. The data contains information on competition, market turbulence, marketing capabilities, etc. In this study, the interest is on the concepts of market orientation, business performance and strategy type. Hence only questions that measure these were chosen to be part of the statistical analysis. The questionnaires for the part of the questions used in this study are presented in Appendix II, in both Finnish and English.

Next, the measures used for this study are examined.

5.1.2. Measures and variables

The constructs of market orientation, marketing mix decisions, performance, and strategic choice were asked with wide arrays of questions. For this reason the variables to be included in the analyses needed to be computed from the data. The methods used and variables derived are described in more detail.

Factor analysis was conducted on the different question arrays on performance, marketing mix, and market orientation. Factoring was conducted with a Varimax rotation and Kaiser Normalization. On basis of the factors found, the responses were computed to gain single summated scales, or composite variables, to represent different constructs of market orientation, marketing mix, performance and strategy. For profit measures, factor analysis was confirmatory, meaning it was decided to test for the two constructs (revenue-based and cost-based performance measures). For marketing mix variables, the factor analyses was exploratory, meaning a factor analysis with no set number of factors was conducted to see what kind of factors emerge from the study.

To test reliability of the composite variables, Cronbach's α was used to test for statistical power. Cronbach's alpha is a measure for the consistency of an entire scale, or a reliability coefficient. It assesses internal consistency among variables, and shows whether or not they measure the same construct (Hair, Black, Babin, Anderson, & Tatham 2006). The level used in this study is $\alpha<0.5$, which is considered to be an adequate level for exploratory, basic research, where as 0.7 would be reasonable for confirmatory use (Nunnally 1967).

For market orientation and strategy, the effects were studied in a one-dimensional way, by not finding out the different factors for e.g. customer orientation, or prospector-oriented strategies. This limitation was taken as the data contained far more valid findings using these mentioned constructs.

Measures for performance

Performance can be measured with self-reported scales, as it has been found to be reliable in many different settings (e.g. Deshpandé & Farley 2004). Managers were asked to compare their performance in relation to that of their competition. For all of these questions, the answers were given on a 5-point Likert scale: "much worse", "worse", "the same", "better", and "much better", compared to that of the competition. Subjective performance measures seem to be quite a reliable measure for market orientation—performance relationship, as concluded by e.g. González-Benito & González-Benito (2005).

For profit margins', the two expected factors were discovered, accounting for 81% of variance in the original items. Factor 1 receiving high factor loadings on self-reported overall profit levels achieved, profit margins achieved, and return on investment (ROI), and factor 2 on sales volume achieved and market share achieved. On basis of these results, composite variables were created to represent cost-based and revenue-based performance measures, respectively. They showed good reliability of Cronbach's alpha, .893 and .714, respectively.

The initial statistics on these measures showed a mean of 3.3 for cost-based and 3.4 to revenue-based performance variables, and a median of 3 and 4, respectively, indicating a fairly similar distribution of answers. But the lower quartiles received values of 3 for both, and drawn on a histogram revealed weight to the right, even more for the revenue-based performance variable. Standard deviation was 0.9 for both.

Market orientation measures

Market orientation was charted by asking managers a series of questions on acquisition and use of information on customers and competitors, and on cross-functionalities, a scale used by Narver & Slater (1990). Market orientation is a question generally best assessed by the customers, not the firm's managers (Deshpandé et al 1993). Managers may not have a generally good idea of the firm's true orientation towards its customers. When customers describe the firm in terms of market oriented, it was found to better explain differences in performance (ibid). But, as a self-reporting mechanism, customer-data cannot be the only data collected, because of their lacking ability to consider firm-internal culture. Therefore, the use of self-reporting for market orientation, too, is tolerable.

The questions were all answered on a 7-point Likert-scale with agreement levels ranging from 1 ="not at all" to 7 ="to an extreme extent". The questions are listed in Appendix II. As stated earlier, market orientation constructs were decided to be measured one-dimensionally. A confirmatory factor analysis to find the different factors of market orientation did give factors for customer and competition orientation, but on a closer look on of them proved not to be insightful. The level of customer orientation and competitor orientation in the sample overall was very high: over 75 % of responses for the factor of level of customer orientation were 6 and above, and for the factor on competition orientation the responses of 6 and above made up half of all responses. Only few respondents in the whole sample gave a value of 2 or 1 to the questions on customer and competition orientation. For the third construct of interfunctional coordination, the factoring gave little result. On this find, it was decided to create a one-dimensional scale and composite variable for market orientation from all the original market orientation variables, which received a Cronbach's alpha value of 0.86, which satisfies the set limit of $\alpha>0.5$.

Marketing mix

Questions on marketing mix were derived from a study by Wong & Saunders. The questions are listed in Appendix II. In addition to these questions, the questionnaire included two on distribution, whether the firm distributes directly or via a longer supply chain. These questions were not included in the factoring, and so not chosen to be part of the summated variables. In the initial factoring the variables did not form a factor of their own, and the overall factoring gave better results with these two variables excluded. The reason for this is unclear. The results of the initial factoring are included in appendices.

A factor analysis was also performed on the marketing mix variables. Six factors with eigenvalues over 1 were found. The factors were named after the meanings derived in the analysis – the names are stated in table 1 together with variance explained by each factor, their eigenvalues and Cronbach's alpha for the variables in the factors.

Factors	Eigenvalues for factors	Variance explained by factor	Proportion of variance	Cronbach's α for the composite variables based on the factors
F1: Market research, internal emphasis on customer satisfaction	3.266	2.267	0.172	0.70
F2: Brand, image, and reputation, heavy advertising and external communication	1.725	2.168	0.091	0.60
F3: Relationship building with suppliers, key customers, influencing buyers	1.681	1.591	0.089	0.45
F4: Little product development	1.459	1.562	0.077	0.65
F5: Product customization for "good" customers	1.213	1.460	0.064	*0.28*
F6: Pricing based on costs	1.122	1.420	0.059	0.49
Cumulative			**0.551**	

Table 1 Factor analysis results for marketing mix

These factors together explain 55 % of the variance. From these factors, composite variables were created. Few of the variables were recoded, as they had reversed coding with the other variables they were initially factored with (v206, v211, v217). Of these factors, composite variables were created, whose reliability was tested with Cronbach's α. The alphas were high enough at the chosen level of $\alpha>0.5$, except for summated variable F5, which was then excluded from further analyses, except for the initial examinations of market orientation and the marketing mix.

Strategy

Business strategy was charted through statements on business and marketing strategies, and to what extent the respondents agree, using a 5-point Likert-scale ranging from 1= "Strongly disagree" to 5= "Strongly agree":

The composite variable for strategy type was created on a one-dimensional basis to more easily determine the overall possible effect of strategy on the proposed relationships. The composite variable consisting of the values received to the above-mentioned questions had a reliability measure of Cronbach's alpha 0.50, and was therefore accepted.

As the variables needed to test the hypotheses were found in the data, analyses were conducted to find the proposed relationship. The statistical analysis and results are presented next.

5.2. STATISTICAL ANALYSIS

In this chapter, a brief explanation to the statistical methods used to analyze the data is given, and then the results described.

5.2.1. Method description

First, the variables for market orientation and marketing mix were correlated with each other to see whether market orientation correlates with marketing execution. Also an analysis of variance (ANOVA) was carried out for market orientations effects on the different marketing mix variables. These would give results to test hypotheses 1 and 2.

The correlation analysis results in this study are given with Pearson's correlation coefficients, which give the level of correlation from 0 – 1, where 0 means no correlation and 1 means full correlation. The coefficient may also get negative values, which means the correlation effect is negative. Cohen (1988) suggests interpretation limits for the correlation coefficients presented in table 2. He also states they should be used without strictness, as correlations in social sciences are dependent on context and purpose – a coefficient of 0.4 might be interpreted as large correlation, because of contribution of so many other, complicating factors.

Correlation	Negative	Positive
Small	−0.29 to −0.10	0.10 to 0.29
Medium	−0.49 to −0.30	0.30 to 0.49
Large	−1.00 to −0.50	0.50 to 1.00

Table 2 Cohen's (1988) suggestion for correlation interpretations

ANOVA procedure gives a result to how much of the variance in chosen variables can be explained by the independent variable, which, in this case, is market orientation. The result is given with a value of R-squared. R-squared means that with a value of e.g. 0.40, we have accounted for 40 % of the variability, and are left with 60 % of residual variability, which is explained through other factors. It is in effect an indication to how well the model fits. (StatSoft 2007c).

The second set of analysis consisted of regression analyses and another set of correlation analyses to see the effect of market orientation, marketing mix, and business strategy on market performance. Then strategy's effect on the marketing mix was examined by creating interaction terms of the variables, and then the analyses were run again to see whether the results would differ. This would test hypotheses 3 and 4.

Regression analysis is a method which explores the magnitude and direction of one or several factors' effect on another. The regression coefficient for an independent variable explains the direction of the effect (whether it is negative or a positive), and the value of the coefficient explains the magnitude of the effect on the dependent variable, when the independent variable changes by 1. The measure for goodness-of-fit for the model is R-squared, which describes the explanation power for the value, as with ANOVA. Another test is the F-test, which tells us whether or not the independent variables in the model explain the independent variable at all.

In all methods, the important information lies within the test for statistical difference, or the value for p, which tells us the percentage of chance in the relationship. It is also the percentage of error for the researcher. When p is below 0.0001 it can be said the discovered relationship is statistically highly significant, and the possibility of chance is near to zero. Other levels for significance are $p<0.01$ (very siginificant, possibility for error/chance is less than 1%) and $p<0.05$ (significant, possibility for error/chance is less than 5 %). (Hair et al 2006)

The results are examined next with discussion. The complete outputs generated by statistical computer program SAS are present in Appendix III.

5.2.2. Results and discussion

The effect of market orientation on the marketing mix variables was looked at with correlation analysis and ANOVA. The results for both correlation analysis and ANOVA are in table 2. Tests for significance are also in the table for both ANOVA and correlation analyses.

<table>
<tr><td></td><td></td><td>F1</td><td>F2</td><td>F3</td><td>F4</td><td>F5</td><td>F6</td></tr>
<tr><td rowspan="2">Market orientation</td><td>R-square from ANOVA</td><td>0.338***</td><td>0.227*</td><td>n.s.</td><td>n.s.</td><td>0.300***</td><td rowspan="2">n.s.</td></tr>
<tr><td>Pearson Correlation Coefficients, N = 327</td><td>0.421***</td><td>0.210***</td><td>0.210***</td><td>-0.159**</td><td>0.292***</td></tr>
<tr><td colspan="8">significance level: *** $p<0.001$; ** $p<0.01$; * $p<0.05$; n.s. not significant, $p>0.05$</td></tr>
</table>

Table 3 Correlation results for market orientation and marketing mix variables

The results for ANOVA show that market orientation explains variance on a significant level for marketing mix variables F1, F2, and F5: for customer intelligence gathering and dissemination; marketing communication and brand building; and product customization. Market orientation explains 34 %, 23 % and 30 % of the variability in these factors, respectively.

Market orientation correlates on a significant level in all but one of the relationships, with pricing (p=0.364). The strongest correlation was between market orientation and variable F1, use of market research and firm-internal dissemination of customer knowledge. The correlation is on a medium level, but can be said to be strong considering the above-mentioned notion of complicating factors in assessing human studies. Market orientation also correlates on a medium level with variables F2 and

F3, marketing communication and brand building, and relationship building with stakeholders. Variable F5, product customization, though not a reliable construct as such, correlates also on a medium level with market orientation. Variable F4, no-investments in product development, suggests a small, negative correlation with market orientation – this means that market orientation correlates positively with investments in product development.

On basis of these results, it can be said market orientation has a positive relationship with parts of the marketing mix, so giving partial support to hypothesis 1.

Now that the results for the different marketing mix variables and the effect of market orientation on them is clearer, the correlation analyses between the different constructs, suggested by the study to have an effect on performance, was conducted. The results for correlation are in Table 3 (the coefficients between market orientation and the different marketing mix variables were excluded as they are present in Table 2).

Pearson Correlation Coefficients, N = 327	Cost-based measures	**Revenue-based measures**	**Market orientation**	**Strategy**
F1	n.s.	**n.s.**		0.258***
F2	**n.s.**	**n.s.**		0.119*
F3	**n.s.**	**n.s.**		0.130*
F4	**n.s.**	**-0.122***		n.s.
F5	**n.s.**	**n.s.**		n.s.
F6	**n.s.**	**n.s.**		0.136*
Cost-based measures	1.00000	**0.30203 <.0001**	**n.s.**	**n.s.**
Revenue-based measures	0.30203 <.0001	**1.00000**	**n.s.**	n.s.
significance level: *** p<0.001; ** p<0.01; * p<0.05; n.s. not significant, p>0.05				

Table 4 Correlation results for all constructs

One interesting result was the correlation effect between marketing mix variable "no-investments in product development", F4, and revenue-based performance. They have a small and negative, but significant correlation with revenue-based market performance. Market orientation's correlation with F4 was also significant and negative, and also small.

Still, strategy seems to have an effect on the marketing mix variables. The effect of strategy on intraorganizational customer focus and also on advertising, relationship building, and cost-based pricing is seen in the results from the correlation analysis. Pearson's correlation coefficient can be turned into a more explaining figure by coefficient of determination. This is the square of the product-moment correlation between two variables (r^2). It expresses the amount of common variation between the two variables. (StatSoft 2007d) For strategy and intraorganizational focus on customers and market research, the strength of the relationship is the strongest: 0.067 or 6.7 % of the variance is common for both.

Strategy's effect on the market orientation implementation – performance relationship was looked at through the use of interaction terms formed by computing the marketing mix variables with the business strategy variable and seeing whether the results would differ. In table 6, the results for the correlation using interaction terms are given.

Pearson Correlation Coefficients, N = 327	Cost-based measures	**Revenue-based measures**	**Market orientation**
F1 x strategy	n.s.	**n.s.**	**0.460*** **
F2 x strategy	**n.s.**	**n.s.**	**0.332*** **
F3 x strategy	**n.s.**	**n.s.**	**0.363*** **
F4 x strategy	**n.s.**	**n.s.**	**n.s.**
F5 x strategy	**n.s.**	**n.s.**	**0.426*** **
F6 x strategy	**(-0.098 0.078)**	**n.s.**	**0.201** **
Cost-based measures	1.00000	**0.30203 <.0001**	**n.s.**
Revenue-based measures	0.30203 <.0001	**1.00000**	**n.s.**
significance level: *** p<0.001; ** p<0.01; * p<0.05; n.s. not significant, p>0.05			

Table 5 Correlation results for interaction terms

The correlation results for interaction terms and performance were not significant in any case. If allowing for greater error ($p<0.1$, or 10% possibility for chance), then cost-based pricing would have a negative effect (coefficient -0.098) on cost-based performance measures. If taken cautiously, this would suggest, some studies on pricing strategies, if cost-based pricing strategies would have a negative effect on same-based measures of performance. Nevertheless, these results from the correlation analysis would give little support to hypotheses H2 and H4, or the effect of marketing mix on performance, with or without the effect of strategy.

Still, it is worth noticing that market orientation's correlation with the interaction terms is greater than for the original marketing mix variables, except for the case with F4, or no-investments in product development. This would suggest that business strategy strengthens market orientation implementation.

On part of the final analyses performed on the data, results are shown in table 6. In the table, the regression analysis for market orientation, marketing mix variables F1, F2, F3, F4, and F6, and business strategy were used as independent variables to explain dependent variables cost-based and revenue-based performance measures. The other results for the regression analysis are for the comparison, when interaction terms for strategy's effect on marketing variables, and market orientation were run against performance. Variable F5 was excluded from this part as it did not give a large alpha in the creation of the composite variable. The analysis was performed with all variables forced into the model, as well as with all the variables separately.

Main effects						
	Cost-based measures			**Revenue-based measures**		
	R-square	**F-arvo**	**Regression coefficient**	**R-square**	**F-arvo**	**Regression coefficient**
Market orientation	0.0058	1.91	-0.102	0.0000	0.01	-0.007
F1	0.0000	0.01	0.006	0.0018	0.60	0.051
F2	0.0001	0.05	0.015	0.0018	0.57	0.050
F3	0.0012	0.39	-0.056	0.0000	0.00	-0.006
F4	0.0009	0.29	-0.035	0.0148	4.90	-0.137*
F6	0.0067	2.18	-0.087	0.0007	0.22	-0.027
Strategy	0.0035	1.14	-0.088	0.0021	0.67	0.065
Combined model fit						
R-square	0.0167			0.0200		
F-value	0.78			0.93		
significance level: *** p<0.001; ** p<0.01; * p<0.05; not significant, p>0.05						
Moderated effects						
	Cost-based measures			**Revenue-based measures**		
	R-square	**F-arvo**	**Regression coefficient**	**R-square**	**F-arvo**	**Regression coefficient**
Market orientation				0.0058	0.01	-0.102
F1 x strategy	0.0009	0.29	-0.051	0.0031	1.00	0.090
F2 x strategy	0.0007	0.23	-0.048	0.0034	1.10	0.100
F3 x strategy	0.0040	1.29	-0.129	0.0008	0.28	0.058
F4 x strategy	0.0039	1.27	-0.119	0.0049	1.61	-0.129
F6 x strategy	0.0090	2.95	-0.154	0.0000	0.01	0.008
Combined model fit						
R-square	0.0166			0.0153		
F-value	0.0090			0.83		
significance level: *** p<0.001; ** p<0.01; * p<0.05; n.s. not significant, p>0.05						

Table 6 Results of regression analyses

The results in table 6 show that only marketing mix variable F4 had a significant correlation with revenue-based performance, explaining 1.5 % of the variability of revenue-based performance. None of the interaction terms showed to have a significant effect on either performance measures. The one that came closest (F6 x strategy on cost-based measures, R-square 0.009 at p=0.087) still has the possibility at 9 % to be coincidental.

The results of the regression analysis were as discouraging as was expected from the results from the correlation analysis. The overall model was insignificant at all set significance levels, and F was below 1. The parameter estimates gave little information to this, as the model had to be discarded; although, one interesting find was the effect of marketing mix variable F4 and the interaction term F6xstrategy's almost significant correlation with revenue- and cost-based measures, respectively. Nevertheless, little generalization or conclusions can be drawn from these results.

The regression analysis was also conducted once using stepwise selection, which selects variables one-by-one to be included in the model and the ones to be excluded. The analysis, with an inclusion significance level of $p<.5$ and exclusion significance level of $p<.1$, gave only two results: 1) for revenue-based performance measures, F4 was the only variable to be included in the model, and had an R-square of 0.0148, and 2) for cost-based measures, F6 was the only variable to be included in the model, and had an R-square of 0.090.

These results led to hypotheses 3 and 4 receiving no support, and hypothesis 1 and 2 being supported only partially, and with reservation. After testing the hypotheses, final conclusions can be made on basis of the study.

6. CONCLUSIONS

In the final chapter of this study, conclusions are drawn to conclude the study, and to discuss its implications and limitations, and to suggest further research.

This study's objective was to answer the main research questions set in the first chapter:

> *What kind of effect does business strategy have on the market orientation implementation—performance relationship of a firm?*

In this study, strategy was not found to have an effect on the market orientation implementation—performance relationship. Sadly, few conclusions can be drawn from this answer.

At least in this study on Finnish firms, market orientation does not directly or through its implementation affect performance, nor can it be said business strategy moderates this relationship in any way. This conclusion, however, in light of prior study and the substantive basis of findings from theory, should be taken cautiously, and be challenged with a larger and more profound study.

One conclusion, still, is that innovation and investments in product development seem to affect performance when measured by revenue-based measures. Innovation was also evident in prior study, so it was not a surprise that of all the relationships that could have had and affect on performance, investments in product development was the one thing rising from the data.

Even though the performance implications were not affirmed by the Finnish data, it can be said that business strategy seems to affect the implementation of market orientation. The effect of strategy on intraorganizational customer focus, and also on advertising, relationship building, and cost-based pricing suggest there is interesting relationships present, which were not under research here, but could be an interesting subject for future researchers.

Before returning to suggestions for further research, the study's implications and limitations need to be considered.

6.1. IMPLICATIONS AND LIMITATIONS

An implication for the theory of marketing is that for fully validating the market orientation—performance relationship, implementation could be the future direction for research. Market orientation did not have an effect on performance, but a definite relationship with marketing mix decisions. Implementation of any strategy is a key to its success; therefore research to form a framework to explain market-oriented firm's performance through its marketing mix decisions is called for.

An implication for practice is that to measure market orientation implementation effectiveness can be done through the measuring of successful marketing mix decisions. Deriving these decisions from a philosophy of customer value creation, coupled with investments in innovation and product development, can increase performance.

Another implication is that in order to successfully implementing market orientation, managers need to be cautious of their long-term business strategic choices, as they affect the way market orientation is implemented in the marketing mix. Solutions to the problems of Miles & Snow need to be consistent and marketing mix decisions in line with those solutions.

First limitation to the results is inherently in the data used. It was, as previously stated, collected for the purpose of a completely different study, and not for the purpose of clearly finding differences in strategic and market orientation. This means that for the purpose of the kind of research this study at hand is about, the data is not completely applicable, at least for the part of the Finnish sample.

The market orientation of firms should be assessed also by their customers, as it is common for marketing managers to reply to any question about customers with positive assurances of their employers' customer orientation. Also the other constructs of market orientation are difficult to measure correctly, as subjective measures on concepts such as competition and market intelligence generation, cross-functional team-use, open communication, etc. are often considered to be important and crucial issues in firms, and may thus influence the respondents to respond un-truthfully.

The discussed difficulty of measuring any strategy implementation is also a limitation of this study. Market orientation implementation, when looked at through the concept of marketing mix may lack in full explaining power, as implementation is an issue that is difficult to measure. It is not a question to best asked from the people in charge of formulating strategy, but from the people expected to realize it in their everyday work. Implementation measuring would perhaps require a cross-organizational case study, where maybe a whole process of a firm attempting to change their level of market orientation, its success, and the financial performance implications of it were studied. This, as a lengthy, large, and resource-demanding investigation was not in the scope of a master's thesis.

As for the validity and reliability of the study, these issues are briefly discussed. Validity is "the degree to which a measure accurately represents what it is supposed to." (Hair et al. 2006) In this kind of study, as issues of interest are asked with subjective questions of level, and interpretations, the representation is not perhaps of the true state-of-things, but of the ways the respondents interpret the world. And as the study was not precisely designed to answer the questions posed in this study, the measures may not validly represent the constructs. Hence the validity of the results may be questionable, and the poorly significant results may be due to this.

Reliability is "the degree to which the observed variable measures the 'true' value and is 'error free'". (Hair et al. 2006) In other words, if another researcher would conduct the same study, they would come up with the same results. In this study, as suggested by Hairy, summated variables were computed to enhance reliability, as more variables were used as a composite measure to measure a given construct.

Also the methods used may not have been the best possible, as e.g. regression analysis requires certain level numeric data, and Likert-scales are not completely applicable. For the correlations, now tests for non-linearity or sample bias were performed. For these reasons the few significant results are not to be generalized.

Even though the empirical results did not affirm the speculations of this study, they did generate many thoughts on further research.

6.2. FURTHER RESEARCH

An interesting future research would be to conduct this study with a more specific data set and include qualitative data in the set to find out the under-lying relationships, which are so hard to find by asking ten questions on a pre-defined scale. Lastly, the effect of business strategy was in this study not significant. The different strategy types still have been found to affect the market orientation—performance relationship (cf. Matsuno & Mentzer 2000), so the question still needs looking into.

How to successfully implement a strategy, how to operationalize a vision, and how to actually create revenues by a phrase such as "Our objectives and strategies are driven by the creation of customer satisfaction"? The actual implementation effectiveness of market orientation in the marketing mix could be studied further. Marketing mix can offer an operational decision-making tool through which market orientation implementation can be assessed. The search for possible differences in the effects of market-oriented and non-market-oriented marketing mix decisions on performance can provide us a better answer to the much-studied subject of the factors influencing the hard-to-study market orientation—performance relationship. The mechanisms through which market orientation affects performance would serve at least a practical purpose.

Also the other implications of market orientation still need affirmation. Market orientation is not perhaps critical to market performance, but as it may lead to organizational learning and the development of firm resources and capabilities, it will lead to positional advantage (Hurley & Hult 1998). These non-financial implications of market orientation were not the main scope for the study, but are certainly interesting.

Innovation was mentioned in many of the studies that found a significant relationship between market orientation and performance. It is also a subject which has long been studied. As found in many studies, an organizational capacity to innovate is found to lead to competitive advantage and performance (e.g. Hurley & Hult 1998). The definite realization of innovation in the marketing mix, mainly in product, but also in distribution and other decisions, could answer the question of whether or not market orientation implementation can affect performance. Business strategy's effect on an organizational capacity to innovate would also be an interesting subject to study.

This study was not able to conclude with certainty, that market orientation implementation's relationship with performance is moderated by business strategy. The suggestions for further research could aid in answering this interesting question, and provide managers of tomorrow with a usable tool for managing their firm towards competitive advantage and financial performance.

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APPENDICES

Appendix I – Studies that did not find a clear relationship between market orientation and performance (Gonzalez-Benito & Gonzalez-Benito 2005)

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Appendix I /2

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Appendix II – Questionnaires (UK and Finland)

Performance measures – UK
In your last financial year, how well did your company perform compared with your main competitors on the following criteria? [...] questions please use the scale below.
1=Much worse
2=Worse
3=The same
4=Better
5=Much better
X=Don't know

1. Overall profit levels achieved
2. Profit margins achieved
3. Return on investment (ROI)
4. Sales volume achieved
5. Market share achieved

(Factor analysis:
1., 2., and 3. to factor 1: cost-based performance, 4. and 5. to factor 2: revenue-based performance)

Performance measures – Finland
Kuinka menestyksellinen oli yrityksenne viime tilikausi pääkilpailijoihinne verrattuna? Käyttäkää alla olevaa asteikkoa [...] kysymyksiin vastaamiseen.
1=Paljon huonompi
2=Huonompi
3=Yhtä hyvä
4=Parempi
5=Paljon parempi
X=En tiedä

1. Liikevoitto
2. Voittoprosentti
3. Sijoitetun pääoman tuotto
4. Liikevaihto
5. Markkinaosuus

Market orientation – UK
Here are a number of statements other managers have made about marketing and sales issues. How well do you think each statement relates to your company? Please write in the number from the scale below that best represents your opinion.
1=Not at all
2=To a very slight extent
3=To a small extent
4=To a moderate extent
5=To a considerable extent

Appendix II /2

6=To a great extent
7=To an extreme extent

1. Our commitment to serving customer needs is closely monitored
2. Sales people share information about competitors
3. Our objectives and strategies are driven by the creation of customer satisfaction
4. We achieve rapid response to competitive action
5. Top management regularly visits important customers
6. Information about customers is freely communicated throughout the company
7. Competitive strategies are based on understanding customer needs
8. Business functions are integrated to serve market needs
9. Business strategies are driven by increasing value for customers
10. Customer satisfaction is systematically and frequently assessed
11. Close attention is given to after sales service
12. Top management regularly discuss competitors' strengths and weaknesses
13. Our managers understand how employees can contribute to value for customers
14. Customers are targeted when we have an opportunity for competitive advantage

Market orientation – Finland
Missä määrin olette eri tai samaa mieltä oheisten markkinointiin ja myyntiin liittyvien väittämien kanssa?
1=Täysin eri mieltä
2
3
4
5
6
7=Täysin samaa mieltä

1. Pidämme tarkasti huolta kyvystämme vastata asiakkaiden tarpeisiin
2. Myyjämme välittävät kilpailijoita koskevaa tietoa toinen toisilleen
3. Tavoitteidemme ja strategioiddemme taustalla on pyrkimys asiakastyytyväisyyteen
4. Pystymme vastaamaan kilpailuun nopeasti
5. Yrityksemme ylin johto tapaa tärkeimpiä asiakkaitamme säännöllisesti
6. Asiakastiedot ovat kaikkien työntekijöidemme käytettävissä
7. Kilpailustrategiamme perustuvat asiakkaiden tarpeiden ymmärtämiseen
8. Yrityksemme eri toiminnot toimivat yhteistyössä tyydyttääkseen markkinoiden tarpeet
9. Liiketoimintastrategioidemme taustalla on pyrkimys tuottaa asiakkaalle lisäarvoa
10. Asiakastyytyväisyyttä mitataan jatkuvasti ja tasaisin väliajoin

Appendix II /3

11. Myynninjälkeiseen palveluun kiinnitetään paljon huomiota
12. Ylin johto keskustelee säännöllisesti kilpailijoiden vahvuuksista ja heikkouksista
13. Johtajamme ymmärtävät, miten työntekijät pystyvät luomaan asiakkaalle lisäarvoa
14. Keskitymme niihin asiakkaisiin, joille yrityksellämme on tarjota kilpailuetua

Marketing mix – UK

Thinking now about how you go about your marketing, how far would you agree with the following statements? Please use the scale below
1=Strongly disagree
2=Disagree
3=Neither
4=Agree
5=Strongly agree
X=No opinion

1. We make extensive use of market research
2. Our market research is focused on understanding customer needs and requirements
3. We generally try to standardise our offering so they can sell across several markets
4. We customize our products and services so that they meet the requirements of individual customers
5. We are investing in creating strong well known brands in the minds of customers
6. Company and brand reputation are more important to our customers than keeping prices down
7. We do no new product development
8. We actively develop new products and services to lead the market
9. We place great emphasis on building long term relationships with key customers
10. We regularly monitor and analyse the level customer satisfaction achieved
11. We regularly communicate ionternally about our objectives and strategies
12. We adopt an internal marketing approach whereby one part of our organization is seen as the internal customer to other internal suppliers
13. We set prices on the basis of costs of producing plus a fixed margin for profit
14. We set oprices based on what the market is prepared to pay
15. We make extensive use of media advertising
16. We make extensive use of the Internet for promoting our products and services
17. The main source of promotion we use our sales force
18. We place great emphasis on building long term relationships with key suppliers

19. We place great emphasis on building long term relationships with other organizations and institutions influencing buyers' purchasing decisions

(Factor analysis:
Factor 1: 1, 2, 10, 11, 12
Factor 2: 5, 6, 15, 16
Factor 3: 17, 18, 19
Factor 4: 7, 8
Factor 5: 3, 4, 9
Factor 6: 13, 14)

Marketing mix – Finland
Arvioikaa, missä määrin olette eri tai samaa mieltä seuraavien yrityksenne toimintaa ja markkinointistrategian toteuttamistapaa koskevien väittämien kanssa.
1=täysin samaa mieltä
2=eri mieltä
3=ei samaa eikä eri mieltä
4=samaa mieltä
5=täysin samaa mieltä
X=ei mielipidettä

1. Käytämme paljon markkinatutkimuksia
2. Markkinatutkimuksemme keskittyvät asiakkaiden tarpeiden ja vaatimusten ymmärtämiseen
3. Yritämme vakioida tuotteitamme ja palveluitamme, jotta niitä voidaan myydä useilla eri markkinoilla
4. Räätälöimme tuotteemme ja palvelumme vastaamaan yksittäisten asiakkaiden vaatimuksia
5. Pyrimme luomaan vahvoja brandeja, jotka jäävät asiakkaiden mieliin
6. Toimittajayrityyksen ja sen brandin maine on asiakkaillemme tärkeämpää kuin matala hintataso
7. Emme kehitä uusia tuoteita tai palveluita
8. Kehitämme aktiivisesti uusia tuotteita ja palveluita
9. Pidämme kestävien avainasiakassuhteiden luomista erittäin tärkeänä
10. Seuraamme ja analysoimme jatkuvasti asiakastyytyväisyyttä
11. Keskustelemme yrityksen sisällä säännöllisesti tavoitteistamme ja strategioistamme
12. Myös yrityksen sisällä on asiakas- ja toimittajasuhteita, sillä pidämme tiettyjä osastoja muiden osastojen asiakkaina
13. Hintapäätöksemme perustuvat tuotantokustannuksiin ja kiinteään kateprosenttiin
14. Tuotteidemme hinnat määräytyvät sen perusteella, mitä markkinat ovat valmiita maksamaan
15. Käytämme paljon mediamainontaa

Appendix II /5

16. Käytämme paljon Internetiä tuotteidemme ja palveluidemme myynnin edistamiseen
17. Myyntityö on tärkein markkinointikeinomme
18. Pidämme pitkäaikaisia toimittajasuhteita erittäin tärkeinä
19. Pidämme tärkeänä pitkäaikaisten suhteiden rakentamista sellaisiin organisaatioihin ja instituutioihin, jotka vaikuttavat asiakkaiden ostopäätöksiin

Business strategy – UK

Here are some other statements managers have made about their business approach. How far do the following statements describe your company's approach in your main market? Please write in the number from the scale below closest to your views.

1=Strongly disagree
2=Disagree
3=Neither
4=Agree
5=Strongly agree
X=No opinion

1. Our main strategic priority over the last few years has been to survive
2. Our main focus has been on cost reduction and efficiency gains

Thinking now about your marketing strategy in your main market. Please indicate how far you agree with each of the following statements using the scale:

1=Strongly disagree
2=Disagree
3=Neither
4=Agree
5=Strongly agree
X=No opinion

3. Our objectives are to defend our current market position
4. Our objectives are to gain steady sales growth
5. Our objectives are to achieve aggressive sales growth to dominate our market
6. We seek to attack the whole market
7. We target selected market segments within the total market
8. We seek to serve selected individual customers within the total market
9. We seek to differentiate our products and services from competitors in the market
10. We aim to be the lowest cost producer in our industry

Business strategy – Finland

Missä määrin olette eri tai samaa mieltä seuraavien yrityksenne liiketoimintaa koskevien väitteiden kanssa?

1=täysin samaa mieltä
2=eri mieltä

Appendix II /6

3=ei samaa eikä eri mieltä
4=samaa mieltä
5=täysin samaa mieltä
X=ei mielipidettä

1. Strateginen päätavoitteemme on viime vuosina ollut jatkuvuuden turvaaminen
2. Päätavoitteemme on ollut vähentää kustannuksia ja lisätä tehokkuutta

Arvioikaa, missä määrin olette eri tai samaa mieltä seuraavien yrityksenne markkinointistrategiaan liittyvien väittämien kanssa. Ajatelkaa päämarkkinoitanne.
1=täysin samaa mieltä
2=eri mieltä
3=ei samaa eikä eri mieltä
4=samaa mieltä
5=täysin samaa mieltä
X=ei mielipidettä

3. Tavoitteemme on puolustaa nykyistä markkina-asemaamme
4. Tavoitteemme on tasainen myynin kasvu
5. Tavoitteemme on aggressiivinen myynnin kasvu ja markkinoiden hallinta
6. Pyrimme valtaamaan kokonaismarkkinat
7. Kohteenamme ovat kokonaismarkkinoilta valitut segmentit
8. Kohteenamme ovat kokonaismarkkinoilta valitut yksittäiset asiakkaat
9. Tarkoituksemme on erilaistaa tarjontamme kilpailijoiden tarjonnasta
10. Tavoitteemme on olla toimialamme kustannustehokkain yritys

Appendix III – Factor and regression analyses' results from SAS

Factor analysis results for performance measures

Rotated Factor Pattern		
	Factor1	**Factor2**
Overall profit levels achieved	**0.94595**	0.08471
Profit margins achieved	**0.91869**	0.16594
Return on investment (ROI)	**0.82905**	0.14061
Sales volume achieved	0.07083	**0.88720**
Market share achieved	0.18750	**0.85705**

Variance Explained by Each Factor	
Factor1	**Factor2**
2.4663053	1.5761484

Appendix III /2

Factor pattern results for marketing mix

Rotated Factor Pattern						
	Factor1	Factor2	Factor3	Factor4	Factor5	Factor6
1	**0.54641**	0.48285	0.02446	0.06054	-0.35208	0.08499
2	**0.44682**	0.36223	0.18218	0.00687	0.00436	-0.14542
3_n	-0.08396	0.00679	-0.34622	0.15103	0.58899	0.10815
4	-0.11488	0.01469	0.14583	0.03046	0.64330	0.09981
5	0.05859	**0.60036**	0.06915	-0.23005	0.00607	0.14771
6	-0.02347	**0.66185**	0.11428	-0.15412	0.23990	-0.06657
7	-0.05533	-0.06460	-0.00476	**0.85725**	0.08166	0.00776
8_n	-0.07527	-0.24341	-0.15382	**0.75882**	-0.05435	-0.01078
9	0.31345	-0.04073	0.21377	-0.22082	**0.55062**	-0.14466
10	**0.75618**	0.11956	0.05078	0.00378	0.04479	-0.01649
11	**0.70143**	0.06422	-0.06982	-0.15630	0.15779	0.11884
12	**0.68596**	-0.07839	0.07203	-0.03433	-0.19355	-0.00972
13	0.05020	-0.04423	0.17333	0.14079	0.08942	**0.78966**
14_n	-0.01560	0.00013	-0.14710	-0.13266	0.01981	**0.77804**
15	0.09647	**0.76096**	-0.16366	-0.05704	-0.13437	0.06048
16	0.07194	**0.51569**	0.13831	0.02271	-0.04961	-0.17906
17	-0.14378	0.05248	**0.69159**	-0.12580	-0.08012	-0.12945
18	0.15066	-0.08675	**0.56676**	0.08646	0.32187	0.15060
19	0.20539	0.24181	**0.64755**	-0.08961	0.03328	0.05996

Variance Explained by Each Factor					
Factor1	Factor2	Factor3	Factor4	Factor5	Factor6
2.2665702	2.1684412	1.5912298	1.5617158	1.4595214	1.4195202

Appendix III /3

Regression analysis output for forward selection (all variables forced into the model) – revenue- and cost-based measures

Linear Regression Results					
Dependent Variable	*Revenue-based performance*				
No of Observations Read	327				
Analysis of Variance					
	DF	Sum of Squares	Mean Square	F Value	Pr> F
Source	7	5,50885	0,78698	0,93	0,4828
Model Error	329	269,7572	0,84563		
Corrected Total	327	275,2661			
R-square	**0,02**				
Variable	Parameter Estimate	Standard Error	Type II SS	F Value	Pr > F
Intercept	3,97357	0,60176	36,87267	43,6	<0.0001
Market orientation	-0,06195	0,08203	0,48239	0,57	0,4506
F1	0,03818	0,07561	0,21565	0,26	0,6139
F2	0,0031	0,07205	0,00157	0	0,9657
F3	-0,04405	0,09043	0,20067	0,24	0,6565
F4	-0,13970	0,06643	3,73997	4,42	0,0362
F6	-0,02894	0,05749	0,21436	0,25	0,615
Strategy	0,07273	0,8555	0,61126	0,72	0,3959

Linear Regression Results					
Dependent Variable	*Cost-based performance*				
No of Observations Read	327				
Analysis of Variance					
	DF	Sum of Squares	Mean Square	F Value	Pr> F
Source	7	4,92245	0,70321	0,78	0,6084
Model Error	329	289,3039	0,90691		
Corrected Total	327	294,2263			
R-square	**0,0167**				
Variable	Parameter Estimate	Standard Error	Type II SS	F Value	Pr > F
Intercept	4,37127	0,62318	44,62285	49,2	<0.0001
Market orientation	-0,11045	0,08495	1,53312	1,69	0,1945
F1	0,05493	0,0783	0,44629	0,49	9,4835
F2	0,01214	0,07461	0,02402	0,03	0,8708
F3	-0,04407	0,09365	0,20081	0,22	0,6383
F4	-0,04475	0,06879	0,38369	0,42	0,5159
F6	-0,07619	0,05953	1,48536	1,64	0,2016
Strategy	-0,05218	0,08859	0,3146	0,35	0,5563

Step 0 First 6 variables entered. Variable selection terminated as all variables were required

Appendix III /4

Regression analysis output for forward selection (all variables forced into the model) – revenue- and cost-based measures (interaction term)

Linear Regression Results					
Dependent Variable	*Revenue-based performance*				
No of Observations Read	327				
Analysis of Variance					
	DF	Sum of Squares	Mean Square	F Value	Pr> F
Source	6	4,87699	0,81823	0,9	0,4958
Model Error	320	289,3493	0,90422		
Corrected Total	327	294,2263			
R-square	**0,0153**				
Variable	Parameter Estimate	Standard Error	Type II SS	F Value	Pr > F
Intercept	4,30373	0,54449	56,49196	62,48	<0.0001
Market orientation	-0,11222	0,8445	1,59653	1,77	0,1849
F1 x strategy	0,12225	0,14584	0,63791	0,71	0,4016
F2 x strategy	0,0361	0,13938	0,06066	0,07	0,7958
F3 x strategy	-0,06814	0,16438	0,15336	0,17	0,6788
F4 x strategy	-0,07414	0,11909	0,35041	0,39	0,534
F6 x strategy	-0,14277	0,1109	0,14987	1,66	0,1989

Linear Regression Results					
Dependent Variable	*Cost-based performance*				
No of Observations Read	327				
Analysis of Variance					
	DF	Sum of Squares	Mean Square	F Value	Pr> F
Source	6	4,2148	0,70247	0,83	0,5479
Model Error	320	271,0513	0,84704		
Corrected Total	327	275,2661			
R-square	**0,0153**				
Variable	Parameter Estimate	Standard Error	Type II SS	F Value	Pr > F
Intercept	3,61323	0,52699	39,81878	47,01	<0.0001
Market orientation	-0,07140	0,08174	0,64638	0,76	0,383
F1 x strategy	0,14383	0,14115	0,87941	1,04	0,309
F2 x strategy	0,06922	0,1349	0,22305	0,26	0,6082
F3 x strategy	0,01861	0,1591	0,01159	0,01	0,907
F4 x strategy	-0,19746	0,11526	2,48593	2,93	0,0877
F6 x strategy	-0,00661	0,10733	0,00322	0	0,9509

Step 0 First 6 variables entered. Variable selection terminated as all variables were required.

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LIIKETOIMINTASTRATEGIAN MODEROIVA VAIKUTUS MARKKINAORIENTAATION IMPLEMENTOINNIN JA TULOKSEN SUHTEESEEN

Tutkielman tavoitteet
Markkinaorientaatio on pohjimmiltaan yrityksen ajatusmalli, joka valjastaa yrityksen luomaan asiakkailleen arvoa. Sen implementointi voidaan käsittää markkinoinnin "5:n P:n" mallin avulla (tuote, jakelutie, markkinointiviestintä, hinta, asiakkaat).

Markkinaorientaation vaikutusta tulokseen on tutkittu pitkään ja laajalti, mutta alue, josta puuttuu laaja teoreettinen pohja, on strategian mahdollinen vaikutus tähän suhteeseen. Myös markkinaorientaation implementaatio on jäänyt vähemmälle huomiolle. Nämä voisivat paremmin selittää markkinaorientaation ja tuloksen suhdetta.

Tutkimuksen tavoitteena on luoda ymmärrystä erilaisten liiketoimintastrategioiden moderoivasta vaikutuksesta markkinaorientaation implementoinnin ja tuloksen suhteeseen. Tutkielman teoreettisessa osassa esitellään eri tekijöitä – markkinaorientaatio ja sen implementointi, tulos ja tuloksellisuus sekä strategia – ja niiden välisiä suhteita käsittelevä aiempi tutkimus. Siitä luodaan viitekehys, jota testataan empiirisesti tutkielman empirisessa osassa.

Tutkimusmenetelmä
Viitekehystä testataan käyttämällä erilaisia tilastollisia menetelmiä. Aineistona toimii suomalainen data, joka on saatu aiempaan tutkimukseen kerätystä laajasta kansainvälisestä aineistosta. Faktorianalyysin avulla isoista kysymyspattereista on löydetty summamuuttujiksi muokatut muuttujat, jotka vastaavat tutkielman aiheina olevia käsitteitä. Korrelaatio- ja regressioanalyysien avulla testattiin, millaisia tutkimuksen ehdottamia suhteita aineistosta on löydettävissä.

Löydökset
Tutkielman löydökset eivät tue markkinaorientaation ja tuloksen välistä suhdetta, eikä markkinaorienttaation implementoinnin ja tuloksen välistä suhdetta tai strategian vaikutusta siihen. Löydökset viiittaavat siihen, että aiempaa tutkimuksissa löytynyttä suhdetta tulee yhä tutkia, ainakin Suomessa, vaan tulisi luoda viitekehys, jonka avulla markkinaorientaation suhde tulokseen voidaan mallintaa.

Avainsanat

Markkinaorientaatio, tulos, liiketoimintastrategia, markkinaorientaation implementointi, markkinointimix.

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ABSTRACT

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THE MODERATING EFFECT OF BUSINESS STRATEGY ON THE MARKET ORIENTATION IMPLEMENTATION—PERFORMANCE RELATIONSHIP

Research Objectives
Market orientation is basically a business philosophy of a firm to guide it towards customer value creation. Its implementation can be looked at through the 5P's model of marketing mix (product, place, price, promotion, people/customers).

The market orientation—performance relationship has been studied widely, but the subject lacking in extensive body of literature is the possible moderating effects of business strategy. Also the implementation of market orientation has received less attention. Market orientation implementation and the effect of strategy may provide us with a clearer answer to the market orientation—performance relationship.

The goal of this study is to generate insights into the possible moderating effects of different business strategies on the orientation implementation—performance relationship. In the theoretical section of the study, the different constructs – market orientation, its implementation, business performance, and strategy – and the relationships between them are explored to create a framework of the market orientation implementation—performance relationship suggested by prior research. This framework is then tested empirically in the empirical section of the study.

Research Method
The framework is tested using several statistical methods on a quantitative data from Finland, which was taken from a multinational data collected for a different study. Factor analysis was conducted on certain question arrays to help create summated scales of variables for the constructs studied. Correlation analysis and regression analysis were conducted to find out whether or not – and how strongly – the relationships suggested by prior research exist.

Findings
The findings of this study provide no support to the market orientation—performance relationship, or to the market orientation implementation—performance relationship and strategy's effect on it. The finding suggest that the relationship found in earlier studies be tested again, at least in Finland, and a framework developed to find out the impact of market orientation on performance, and the ways it can do so.

Key Words
Market orientation, performance, business strategy, market orientation implementation, marketing mix